

HEALTH SERVICES AND DEVELOPMENT AGENCY  
MAY 22, 2013  
APPLICATION SUMMARY

NAME OF PROJECT: Surgery Center of Lebanon

PROJECT NUMBER: CN1302-003

ADDRESS: Unaddressed site located on the east side of Blair Lane, near the intersection of Blair Lane and Monument Lane  
Lebanon (Wilson County), Tennessee 37087

LEGAL OWNER: Lebanon Healthcare Partners, LLC  
102 Hartman Drive, Suite G  
Lebanon (Wilson County), Tennessee 37087

OPERATING ENTITY: Specialty Surgery Centers of America, Inc.  
9206 Concord Road  
Brentwood, Tennessee 37027

CONTACT PERSON: Keith Bolton  
(931) 801-2558

DATE FILED: February 14, 2013

PROJECT COST: \$ 2,212,467

FINANCING: Commercial Loan

PURPOSE OF REVIEW: The relocation of a previously approved a Multi-Specialty Ambulatory Surgical Treatment Center (ASTC), CN0906-036A

DESCRIPTION:

Surgery Center of Lebanon is seeking approval for the relocation of an approved but unimplemented Certificate of Need (CON) for a multi-specialty ambulatory surgical treatment center (ASTC) from its originally approved site at 101 Physicians Way, Lebanon (Wilson County), TN to a new unaddressed site located on the east side of Blair Lane in Lebanon (Wilson County), TN. The surgery center will be a venture comprised of an LLC whose members are local

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physicians and Brentwood, Tennessee based Specialty Surgery Centers of America, Inc. Specialties to initially be offered include orthopedics, pain management, ENT (Ear, Nose, and Throat), general surgery and plastic surgery.

## CRITERIA AND STANDARDS REVIEW

### GENERAL CRITERIA FOR CERTIFICATION OF NEED

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Commission may consider, in addition to the foregoing factors, the following factors:

**(a) Need.** The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

*The applicant states the new proposed ASTC site is convenient to Highway 70 in Lebanon, Interstate 40 and Route 840. The applicant indicates the developer of the formerly approved ASTC site (CN0702-011A) experienced financing issues that adversely impacted the completion of the project.*

*It appears that this criterion has been met.*

**(b) Economic factors.** The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

*The applicant states the new proposed location will provide easy access to the population to be served by being in close proximity to major roadways. In addition, the applicant indicates all three TennCare MCOs in the proposed service area will be contracted.*

*It appears that this criterion has been met.*

**(c) Contribution to the orderly development of health care facilities and/or services.** The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

*The applicant does not foresee any delays in the proposed ASTC. Lebanon Healthcare Partners will develop and own the property (1.6 acres) and facility by investing in a related company, SSCA Real Estate Investors of Lebanon, LLC.*

*It appears that this criterion has been met.*

### **SUMMARY:**

The new free standing ASTC will be Medicare certified with three (3) operating rooms and one (1) procedure room. The ASTC will be located in a single-story building which the applicant states will allow more accessibility to ambulatory and wheelchair dependent patients. If approved, the proposed ASTC relocation project is expected to be completed in fifteen (15) months. The next two paragraphs provide background and historical information relative to this Certificate of Need application.

### ***Background Information***

In 2007, University Medical Center, with the support of its medical staff, filed a Certificate of Need application (CN0702-011A) to relocate and replace with expansion its existing one (1) operating room, (one) 1 procedure room ASTC, citing facility inefficiencies as one of the reasons for submitting the CON. The new replacement ASTC was to be a modern facility with three (3) operating rooms and two (2) procedure rooms. This state of the art facility was to be joint ventured with physician investors from UMC medical staff. The Certificate of Need (CN0702-011A) for the new facility was approved in May 2007 and construction was to begin in March 2008 with a completion date of January 1, 2009. According to the applicant, sometime in between the award of the CON and initiation of the construction of the project, UMC changed its business plans and tried to complete a joint venture of the entire hospital. Investors in the proposed ASTC syndication had their checks returned. The proposed joint venture of the hospital subsequently failed, and the ASTC's Certificate of Need was set to expire on July 1, 2009. UMC was granted a modification to the ASTC's CON at the June 20, 2009 Agency meeting, extending its expiration date to July 1, 2010. UMC's Certificate of Need CN0702-011A expired July 1, 2010 and was never implemented.

After the physicians were refunded their money from the ASTC syndication, they began to explore other options for providing the necessary outpatient surgery services to patients in the service area. On April 28, 2010 a CON, CN0906-036A, was granted by the Agency to the applicant, Lebanon Healthcare Partners, LLC for an ASTC located near the Hartmann Drive and I-40 intersection in Lebanon, TN. University Medical Center appealed the approval

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of the CON, and voluntarily dismissed its appeal after (9) months; which extended the expiration date of the CON to March 14, 2013. The applicant then attempted to complete CN0906-036A but the developers of the proposed building which was to house the project ran into financial difficulties. A six-month extension was granted at the February 27, 2013 Agency meeting extending the project expiration date from March 14, 2013 to October 14, 2013. In addition, the applicant has also filed this application (CN1302-003) to relocate the same previously approved ASTC (CN0906-036A) to Blair Lane, Lebanon, TN.

Lebanon Healthcare Partners, LLC, d/b/a Surgery Center of Lebanon, is a physician owned Tennessee Limited Liability Corporation organized May 15, 1999. The applicant indicates it is expected the proposed project management entity, Specialty Surgery Centers of America, Inc., will have an ownership interest of approximately 20% following CON approval. Specialty Surgery Centers of America, Inc. (SSCA) is a for-profit corporation headquartered in Brentwood, Tennessee. Keith Bolton is the sole owner of SSCA, which has ownership interest and provides management services to two (2) multi-disciplinary ambulatory surgical treatment centers within Tennessee: Surgery Center of Columbia in Columbia (Maury County), TN and Clarksville Surgery Center in Clarksville (Montgomery County), TN.

Specialties to initially be represented in the ASTC include Orthopedics, Pain Management, ENT, General Surgery, and Plastic Surgery. The applicant is expected to deliver the following types of pain management procedures: radiofrequency discectomies, epidural injections, and facet injections. The following table breaks out the total number of procedures and physicians that will be assigned to each specialty category.

<b>Specialty</b>	<b>Total Cases In Year One</b>	<b>Estimated # of Staff Physicians</b>
Orthopedics	1,155	5
Pain Management	265	2
ENT	287	2
General Surgery	225	8
Plastic Surgery	95	1
Other	378	4
<b>Total</b>	<b>2,405</b>	<b>14</b>



In the supplemental response, the applicant indicated specialties such as gynecology, podiatry and urology may be added to the ASTC after opening if there is a demand in the market.

The applicant's proposed service area is anticipated to incorporate Wilson, Macon, and Trousdale Counties. The service area was selected based on the historical patient origins of the physicians involved with this project. Approximately 54% percent of their patients are from Wilson County, 14% percent from Macon County and 10% from Trousdale County.

According to the Tennessee Department of Health's Division of Health Statistics, the service area currently has a 2013 population of 147,961 which is estimated to grow 5.3% to 155,756 persons by 2017.

According to the Department of Health, there are four (4) ASTCs in the defined service area: three (3) single specialty ASTCs (ophthalmology, gastroenterology (GI), and orthopedic with pain management) facilities and one (1) multi-specialty ASTC. Macon and Trousdale Counties do not have any ASTCs. All four ASTCs are in the most populated county of the service area: Wilson County. As indicated by the following table, there was only one ASTC located in the proposed service area that exceeded the Guidelines for Growth standard of 800 annual cases/room. The single-specialty, Lebanon Endoscopy Center with two procedures rooms, operated at 162% operating efficiency. In contrast, the Multi-Specialty, Lebanon Surgical Center with one operating room and 1 procedure room, operated at 4.3% operating efficiency in 2011 experiencing a -311% decrease from 284 surgical cases in 2009 to 69 surgical cases in 2011. In 2011, 47 of the 69 patients, or 68% of Lebanon Surgical Center's patients received plastic surgery services. Overall, single specialty ASTC's in the service area performed at 83.1% capacity and multi-specialty ASTCs performed at 4.3% of capacity.

**Proposed Service Area ASTC Utilization Trends  
2009-2011**

Type	Facility	County	Operating/ Procedure Rooms	2009 Cases	2010 Cases	2011 Cases	2011 % Utilization vs. 800 Annual Procedures/Room Standard*
Single Specialty (Eye)	Wilson Co. Eye Surgery Center	Wilson	2 1 OR 1 PR	1,314	1,978	1,466	91.6%
Single Specialty (GI)	Lebanon Endoscopy Center	Wilson	2 Total 2 PR	2,637	3,051	2,598	162%
Single Specialty (Orthopedic & Pain Mgmt for Practice only)	*Providence Surgery Center formerly TN Sports Medicine Surgery Ctr.	Wilson	3 2 OR 1 PR	84	1,283	589	24.5%
<b>Single Specialty Total</b>	<b>3</b>		<b>7 3 OR 4 PR</b>	<b>4,035</b>	<b>6,312</b>	<b>4,653</b>	<b>83.1%</b>
Multi Specialty	Lebanon Surgical Center	Wilson	2 Total 1 OR 1 PR	284	164	69	4.3%
<b>Multi Specialty Total</b>	<b>1</b>		<b>2 1 OR 1 PR</b>	<b>284</b>	<b>164</b>	<b>69</b>	<b>4.3%</b>

\*Based on 800 procedures per room per year

Source: TN Department of Health, Joint Annual Report for ASTCs, 2009, 2010 & 2011

\*Providence Surgery Center's Joint Annual Reports for years 2009-2011 were not posted until April 8, 2013 and are not reflected in the application.

The hospitals in the service also offer outpatient surgery services. There are no standards regarding hospital operating room utilization. For informational purposes, the area hospitals' operating room capacities and outpatient surgical utilization are provided below:

**Proposed Service Area Hospital Surgery Utilization Trends  
2009-2011**

Hospital	County	2009 Procedures	2010 Procedures	2011 Procedures	2009-2011 % Change
University Medical Center	Wilson	5,287 Encounters	5,147 Encounters	5,212 Encounters	-1.4%
Macon Co. Gen. Hospital	Macon	218 Encounters	337 Encounters	697 Encounters	+219%
Trousdale Medical Center	Trousdale	154 Encounters	21 Encounters	0 Encounters	N/A
<b>Total</b>		<b>5,659</b>	<b>5,505</b>	<b>5,909</b>	<b>4.4%</b>

Source: TN Department of Health, Joint Annual Report for Hospitals, 2009, 2010 & 2011

The applicant indicates some of the partners in Lebanon Healthcare Partners will develop and own the property (1.6 acres) and facility by investing in a related company, SSCA Real Estate Investors of Lebanon, LLC. The Surgery Center will

lease space from the SSCA Real Estate Investors on a five year lease with four options to extend the lease another 5 years. All the construction costs for the facility will be the responsibility of the landlord.

The applicant stipulates the design and construction of the proposed facility will meet all applicable federal, state and local standards, codes and regulations, including the 2010 AIA Guidelines for Design and Construction of Health Care Facilities. The proposed project involves approximately 9,300 sq. ft. of new construction. The applicant estimates the cost of construction to be approximately \$220.00 per square foot. The projected cost per square foot is between the 1st quartile cost of \$200.00/sq. ft. and the median cost of \$252.74/sq. for new Ambulatory Surgical Treatment Center projects between 2009 and 2011.

The projected 2,405 procedures will produce Gross Operating Revenues (GOR) of \$4,388,391 in the first year of operation, growing to 3,650 procedures and \$6,124,673 GOR in year two. Deductions from Operating Revenue of 34% will reduce the Net Operating Revenue (NOR) to \$2,905,816 in the first year and \$4,070,395 in the second year. Charity Care and Bad Debts are budgeted at 4.3% within the Deductions from Revenue estimates. Net Operating Income of \$473,861 is projected in the first year, while \$715,756 in Net Operating Income is estimated in the second year. Annual Capital Expenditures of \$163,247 will reduce the first year's projected Net Operating Income Less the Capital Expenditures to 310,614. Similar charges for Annual Capital Expenditures in the second year will produce Net Operating Income Less Capital Expenditures of \$527,731. Management fees will be paid at the rate of 6% of net (cash).

The applicant anticipates staffing the proposed ASTC initially with six (6) registered nurses, four (4) scrub techs and 3-4 LPNs. The applicant intends to be licensed by the Tennessee Department of Health's Board for Licensing Health Care Facilities and will seek accreditation with the Accreditation Association for Ambulatory Healthcare (AAAHHC).

The project's Medicare and TennCare gross revenues are projected at \$1,535,937 (19%) and \$658,259 (10.1%), respectively. The applicant anticipates participating in all three TennCare MCOs operating in the services area: AmeriChoice, AmeriGroup and TennCare Select. All of the physicians currently associated with the applicant and SSCA are participants in all three TennCare plans. The average gross charge is \$1,825/case. The Average Net Charge is estimated to be \$1,208/case.

The cost of the project for CON purposes is projected to be \$2,212,467. Of this total amount, \$930,000 is for the facility; \$75,000 for Architectural and Engineering Fees, \$1,125,000 is for moveable equipment; \$52,500 is for Reserve

**Surgery Center of Lebanon**

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for One Year's Debt Service; and the remaining \$29,967 being for legal, administrative and consulting fees, and CON filing fees.

The applicant indicates the proposed project will be financed with a commercial loan. A term sheet dated February 6, 2013 from First Farmers and Merchants Bank indicates interest in providing the applicant a \$1,125,000 loan and a \$350,000 working capital line.

*The applicant has submitted the required corporate documentation, real estate option to lease and management agreement. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency's office.*

Should the Agency vote to approve this project, the CON would expire in two years.

#### **CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:**

There are no other Letters of Intent, denied or pending applications for this applicant.

#### **Outstanding Certificates of Need:**

**Surgery Center of Lebanon, CN0906-036A**, has an outstanding Certificate of Need that will expire on October 14, 2013. The CON was approved at the April 28, 2010 Agency meeting for the establishment of an ambulatory surgical treatment center (ASTC) with three (3) operating rooms and one (1) procedure room. The estimated project cost is **\$4,376,825.00**. University Medical Center appealed the approval of the CON, and voluntarily dismissed its appeal after (9) months; which extended the expiration date of the CON to March 14, 2013. *Project Status Report: A request under General Counsel's Report, for a six month extension of the expiration date from March 14, 2013 to October 14, 2013 was granted by the Agency at the February 27, 2013 Agency meeting, for the purpose of filing the proposed project CN1302-003.*

**CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:**

There are no other Letters of Intent, denied applications, pending applications or Outstanding Certificates of Need for other service area facilities providing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME  
(4-8-13)

## LETTER OF INTENT



2013 FEB -8 AM 11:58

## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the The Lebanon Democrat which is a newspaper  
of general circulation in Wilson County, Tennessee, on or before February 9, 2013  
(County) (Name of Newspaper) (Month / day) (Year)  
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

Surgery Center of Lebanon

(Name of Applicant)

N/A

(Facility Type-Existing)

owned by: Lebanon Healthcare Partners, LLC with an ownership type of limited liability company  
and to be managed by: Specialty Surgery Centers of America, Inc. intends to file an application for a Certificate of Need  
for [PROJECT DESCRIPTION BEGINS HERE]:

The relocation of an approved but unimplemented certificate of need for a multi-specialty surgery center. The proposed facility previously approved under CON CN0906-036 will be relocated from its original approved site at 101 Physicians Way, Lebanon (Wilson County), TN 37087 to a new unaddressed site located on the east side of Blair Lane in Lebanon, Wilson County, Tennessee, 37087. The new, unaddressed site is approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, and approximately 200 yards south of the intersection of Blair Lane and Monument Lane in Lebanon. As with the originally approved CON application, this ASTC will include three operating rooms and one procedure room, as well as requisite clinical and support space, including 12 pre-operation and post-operation bed spaces. The projected square footage for this project is approximately 9,300 square feet. The estimated project costs are approximately \$2,300,000.

The anticipated date of filing the application is: February 14, 2013

The contact person for this project is Keith Bolton

(Contact Name)

CEO

(Title)

who may be reached at: Specialty Surgery Centers of America, Inc.

(Company Name)

9206 Concord Road

(Address)

Brentwood

(City)

TN

(State)

37027

(Zip Code)

931-801-2558

(Area Code / Phone Number)

[Signature]

(Signature)

2/8/2013

(Date)

sscakeith@bellsouth.net

(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency  
The Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**ORIGINAL**  
**APPLICATION**



1. Name of Facility, Agency, or Institution

2013 FEB 14 PM 2 53

Surgery Center of Lebanon

Name

unaddressed site located on the east side of Blair Lane, approximately 200 yards south of intersection of Blair Lane and Monument Lane

Street or Route

Lebanon

City

TN

State

Wilson

County

37087

Zip Code

2. Contact Person Available for Responses to Questions

Keith Bolton

Name

CEO

Title

Specialty Surgery Centers of America, Inc.

Company Name

sscakeith@bellsouth.net

Email address

9206 Concord Road

Street or Route

Brentwood TN

City State

37027

Zip Code

CEO of Management Entity

Association with Owner

931/801-2558

Phone Number

615/371-6778

Fax Number

3. Owner of the Facility, Agency or Institution

Lebanon Healthcare Partners, LLC

Name

102 Hartman Drive, Suite G

Street or Route

Lebanon

City

TN

State

Phone Number

Wilson

County

37087

Zip Code

4. Type of Ownership of Control (Check One)

A. Sole Proprietorship \_\_\_\_\_

B. Partnership \_\_\_\_\_

C. Limited Partnership \_\_\_\_\_

D. Corporation (For Profit) \_\_\_\_\_

E. Corporation (Not-for-Profit) \_\_\_\_\_

F. Government (State of TN or Political Subdivision) \_\_\_\_\_

G. Joint Venture \_\_\_\_\_

H. Limited Liability Company ☒

I. Other (Specify) \_\_\_\_\_

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

Response: Please see organizational documents included as Attachment A-4.

February 27, 2013  
4:19pm5. Name of Management/Operating Entity (If Applicable)

Specialty Surgery Centers of America, Inc.

Name

9206 Concord Road

Street or Route

Brentwood

City

TN

State

Williamson

County

37027

Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. Legal Interest in the Site of the Institution (Check One)

A. Ownership

B. Option to Purchase

C. Lease of 5 Years

D. Option to Lease

E. Other (Specify)

☒

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

**Response:** Please see corporate documents attached as Attachment A-6.

7. Type of Institution (Check as appropriate--more than one response may apply)

A. Hospital (Specify)

B. Ambulatory Surgical Treatment  
Center (ASTC), Multi-Specialty

C. ASTC, Single Specialty

D. Home Health Agency

E. Hospice

F. Mental Health Hospital

G. Mental Health Residential  
Treatment FacilityH. Mental Retardation Institutional  
Habilitation Facility (ICF/MR)

I. Nursing Home

J. Outpatient Diagnostic Center

K. Recuperation Center

L. Rehabilitation Facility

M. Residential Hospice

N. Non-Residential Methadone  
Facility

O. Birthing Center

P. Other Outpatient Facility  
(Specify)

Q. Other (Specify)

☒☐☐☐☐☐☐☐☐☐8. Purpose of Review (Check) as appropriate--more than one response may apply)

A. New Institution

B. Replacement/Existing Facility

C. Modification/Existing Facility

D. Initiation of Health Care

Service as defined in  
TCA § 68-11-1607(4)

E. (Specify)

F. Discontinuance of OB Services

G. Acquisition of Equipment

H. Change in Bed Complement

[Please note the type of change  
by underlining the appropriate  
response: Increase, Decrease,  
Designation, Distribution,  
Conversion, Relocation]

I. Change of Location

J. Other (Specify)

☒☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☒

9. **Bed Complement Data** N/A

*Please indicate current and proposed distribution and certification of facility beds.*

	Current Beds		Staffed	Beds	TOTAL
	Licensed	*CON	Beds	Proposed	Beds at Completion
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	_____	_____	_____	_____	_____
P. ICF/MR	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
TOTAL	=====	=====	=====	=====	=====

\*CON-Beds approved but not yet in service

10. **Medicare Provider Number  
Certification Type**

To be applied for.

11. **Medicaid Provider Number  
Certification Type**

To be applied for.

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid? Yes**

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? Yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract. The applicant plans to contract with all area MCOs.**

**Response:** The three TennCare MCO's operating in the proposed service area are AmeriGroup, United Healthcare and TennCare Select. All current physicians associated with the project are contracted providers to each of these plans. Specialty Surgery Centers

of America, Inc., the management company for the project, contracts with all three TennCare MCO's at its other center in Columbia, and anticipates piggybacking this surgery centers onto its other contracts.

*Discuss any out-of-network relationships in place with MCOs/BHOs in the area. NA*

**NOTE:** Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

## **SECTION B: PROJECT DESCRIPTION**

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

**Response:** The need for this CON application for the relocation of a previously-approved CON for the establishment of a multi-specialty ambulatory surgical treatment center ("ASTC") in Wilson County is clear from the history of this project, as well as that of other ASTC CON projects in Wilson County. The need for the establishment of this multi-specialty ASTC in Wilson County, with three operating rooms and a procedure room is clear.

In 2007, University Medical Center, the hospital located in Lebanon, Tennessee, with the support of its medical staff, filed a Certificate of Need application to relocate and expand its very limited, existing one operating room, one procedure room ASTC with a three operating room, two procedure room ASTC on its campus to be joint ventured with its physicians. Construction was to have begun in March 2008, with the project being completed January 1, 2009. Sometime in between, UMC changed business plans, and tried to complete a joint venture of the entire hospital. Investors in the surgery center syndication had their checks returned. The CON for this joint ASTC, CN0702-011, expired on July 1, 2010.

After the involved physicians were refunded their money from the ASTC syndication, several of them started exploring the options for meeting the proven need for an establishment of a multi-specialty freestanding ASTC service area. A CON, CN0906-036, for an ASTC located near the Hartmann Drive and I-40 intersection was granted by the HSDA to the applicant, Lebanon Healthcare Partners, LLC, on April 28, 2010. This CON was then appealed by the local hospital, University Medical Center. The appeal was dismissed early in 2011. The applicant then attempted to carry out the project, but the

developers of the proposed building which was to house the project ran into financial difficulties. Faced with the history of these difficulties at the original CN0906-036 site, the applicant has simultaneously asked for a six-month extension of CN0906-036, and filed this CON application to relocate this ASTC and to establish this ASTC on Blair Lane in Lebanon. The applicant proposes to build the Surgery Center of Lebanon, a three operating room, one procedure room multi-specialty Medicare-certified ambulatory surgery treatment center. The surgery center will be a venture comprised of an LLC whose members are local physicians and Brentwood, Tennessee-based Specialty Surgery Centers of America, Inc.

The service area for this project includes Wilson, Macon, and Trousdale Counties, based on the patient origin for the physicians associated with the proposed ASTC. The population for this service has continued to grow since 2010. Specialties to initially be represented include orthopedics, pain management, ENT, general surgery and plastic surgery.

Currently, there are three single specialty surgery centers in the service area, including the Wilson Eye Surgery Center (ophthalmology), Lebanon Endoscopy Center (GI), and Provident Surgery Center (orthopedics and pain management). In the three-county service area for 2011, reporting operating rooms averaged 999 procedures per room or approximately 25% above the *Guidelines for Growth* capacity standard, according to the Joint Annual Reports filed for these providers.

The Surgery Center of Lebanon is planned to be a 9,300 square foot facility. It will include 12 pre-op and recovery beds, and will have three (3) operating rooms, and one (1) procedure room. Located in a single-story building, it will be easily accessible to ambulatory and wheelchair dependent patients. Its geographic location, on the east side of Blair Lane in Lebanon, Tennessee, approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, makes it easily accessible to the public. The total cost of the project is estimated to be approximately \$2,207,500. The ASTC is expected to be completed approximately fifteen months after receiving approval.

The project is projected to perform 2,405 procedures in its first year, and 3,650 in its second. The applicant anticipates staffing of six RNs, four scrub techs and three to four LPNs. The physicians involved with the project and their surgery center management company have adequate capital resources to accomplish this project.

In summary, this project will meet a market need for outpatient surgery services that is not being met by current providers. By establishing a multi-specialty, free-standing ASTC, this project will meet a need that the HSDA has repeatedly found to exist for such a provider in Wilson County. There are currently no viable free-standing surgery centers available without limitations to these physicians in the service area. The utilization of existing facilities providing outpatient surgery is significantly greater than the standard set forth in the *Guidelines for Growth*. The establishment of this much needed ASTC will contribute to the orderly development of healthcare in the service area by providing cost-effective services in the least restrictive setting. The project is financial feasible. Its costs compare favorably to other recently approved ASTCs and the applicant expects to have a positive cash flow in year one of operations.

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

**Response:** Surgery Center of Lebanon is expected to be a 9,300 square foot state of the art multi specialty ambulatory surgery treatment center. It will be a new facility and result in the initiation of new services in the service area. It will have three Medicare certified operating rooms, one procedure room, and 12 pre and post-op beds. It will be a newly built, free standing surgery center located on an undeveloped property located at an unaddressed site located on the east side of Blair Lane, Lebanon, Wilson County, Tennessee. Some of the partners in Lebanon Healthcare Partners will develop and own the property (1.6 acres) and develop the facility (approximately 9300 sf) by investing in a related company, SSCA Real Estate Investors of Lebanon LLC. The Surgery Center will lease the space from the SSCA Real Estate Investors on a five year lease with four options to extend the lease another 5 years. All of the construction costs for the facility will be the responsibility of the landlord.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

**Response:** Lebanon Healthcare Partners has already received a Certificate of Need (CN0906-036) to develop a 3 OR, 1 Procedure Room ASTC at another site. It seeks to relocate the establishment of this ASTC to the site proposed herein. The need for the establishment of such a free-standing, multi-specialty ASTC in Wilson County is clear. This CON project will accomplish the establishment of this long-needed ASTC.



C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

**Response:** Not applicable.

D. Describe the need to change location or replace an existing facility.

**Response:** This project does not involve the relocation of an existing facility; rather, it involves the relocation of a previously-approved project for the establishment of a multi-specialty ASTC in Wilson County. The original business plan for Lebanon Healthcare Partners called for the ASTC to be located inside a to-be-built medical office building near the intersection of I-40 and South Hartman Drive. The property was to be built by a third-party developer, who had acquired the property in 2007. Due to a change in the economy and a devaluation of the property, the developers were not able to complete the project, necessitating the need for the applicant to seek to relocate the site for the establishment of this ASTC.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):
  - a. Describe the new equipment, including:
    1. Total cost; (As defined by Agency Rule).
    2. Expected useful life;



3. List of clinical applications to be provided; and
4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

**Response:** Not applicable.

2. For mobile major medical equipment:

- a. List all sites that will be served;
- b. Provide current and/or proposed schedule of operations;
- c. Provide the lease or contract cost.
- d. Provide the fair market value of the equipment; and
- e. List the owner for the equipment.

**Response:** Not applicable.

3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

**Response:** Not applicable.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (*in acres*);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

***Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.***

**Response:** Please see attached copy of the plot plan included as Attachment B.III(A). The size of the site is approximately 1.6 acres.

(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

**Response:** The site is located on the east side of Blair Lane, approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

**Response:** Please see attached floor plan included as Attachment B.IV.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;

**Response:** Not applicable.

2. Proposed service area by County;

**Response:** Not applicable.

3. A parent or primary service provider;

**Response:** Not applicable.

4. Existing branches; and

**Response:** Not applicable.

5. Proposed branches.

**Response:** Not applicable.

### **SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

### **QUESTIONS** **NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.
  - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

**Response:** Please see the criteria and responses for ambulatory service treatment centers included below:

### AMBULATORY SURGICAL TREATMENT CENTERS

1. The need for an ambulatory surgical treatment center shall be based upon the following assumptions:

- a. An operating room is available 250 days per year, 8 hours per day.

**Response:** Surgery Center of Lebanon will have three (3) operating rooms and one (1) procedure room available from 7:30 AM to 3:30 PM, Monday-Friday (except major holidays), 52 weeks per year.

- b. The average time per outpatient surgery case is 60 minutes.

**Response:** The average time per case is projected to be sixty (60) minutes or less.

- c. The average time for clean up and preparation between outpatient surgery cases is 30 minutes.

**Response:** The average time for clean up and preparation between cases is expected to be thirty (30) minutes or less.

- d. The capacity of a dedicated, outpatient, general-purpose operating room is 80% of full capacity. That equates to 800 cases per year.

**Response:** The applicant anticipates performing 601 cases per room the first year, increasing to over 900 cases per room the second year.

- e. Unstaffed operating rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

**Response:** All operating rooms are considered available and included in the inventory.

2. "Service Area" shall mean the county or counties represented by the applicant as the reasonable area to which the facility intends to provide services and/or in which the majority of its service recipients reside.

**Response:** The service area of this project is Wilson, Trousdale, and Macon counties. These counties represent greater than 75% of the origin of the project's patients.

3. The majority of the population of a service area for an ambulatory surgical treatment center should reside within 30 minutes travel time to the facility.

**Response:** The majority of the population in this service area will reside within 30 minutes travel time to the facility. Our location near U.S. Highway 70 in Lebanon will make access for the population in the service area easy.

4. All applicants should demonstrate the ability to perform a minimum of 800 operations and/or procedures per year per operating room and/or procedure room. This assumes 250 days x 4 surgeries/procedures x .80.

**Response:** Surgery Center of Lebanon is expected to perform 385 procedures per room in year 1 and 600 procedures per room in year 2.

5. A certificate of need (CON) proposal to establish a new ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center shall not be approved unless the existing ambulatory surgical services within the applicant's service area or within the applicant's facility are demonstrated to be currently utilized at 80% of service capacity. Notwithstanding the 80% need standard, the Health Facilities Commission may consider proposals for additional facilities or expanded services within an existing facility under the following conditions: proposals for facilities offering limited-specialty type programs or proposals for facilities where accessibility to surgical services is limited.

**Response:** The facilities in the service area report performing 999 cases per room on average in 2011, or 125% of the service capacity specified by the current state health plan.

6. A CON proposal to establish an ambulatory surgical treatment center or to extend existing services of an ambulatory surgical treatment must specify the number of projected surgical operating rooms to be designated for ambulatory surgical services.

**Response:** Surgery Center of Lebanon will have three operating rooms and one procedure room.

7. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following the completion of the proposed project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

**Response:** Projected utilization for the first eight quarters are:

Q 1	410
Q 2	540
Q 3	670
Q 4	785
Q 5	850
Q 6	900
Q 7	950

Q 8 950

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

**Response:** The application does not involve the change of site for an existing healthcare institution.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

**Response:** The applicant was formed for the purpose of establishing an ambulatory surgery treatment center.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

**Response:** Please see a map of the service area included as Attachment C-Need-3. As indicated on the map, the primary service area for this project is Wilson County, Trousdale County, and Macon County. This service area is based on the service areas of the physicians involved in the project. Approximately 54 percent of their patients are from Wilson County, 14% from Macon, and 10 from Trousdale County.

4. A. Describe the demographics of the population to be served by this proposal.

**Response:** Please see chart below.

## Population Projections, 2009-2020

	2010	2011	2012	2013	2014	2020	Growth 2009- 2010	Growth 2010- 2020
State	6,264,654	6,311,234	6,361,070	6,414,297	10,471,546	6,785,100	1.0%	8%
Service Area								
Wilson	111,199	112,787	114,437	116,150	127,396	127,396	1.7%	15%
Trousdale	8,154	8,215	8,287	8,359	8,443	8,942	1.2%	11%
Macon	22,746	22,974	23,208	23,452	23,706	25,112	1.2%	10%
Total	142,099	143,976	145,932	147,961	159,545	161,450	1.7%	15.5%

Source: Tennessee Population Projections 2000-2020, Tennessee Department of Health, Division of Health Statistics

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

**Response:** There are multiple population segments with special needs in the service area, including a high percentage of TennCare enrollees, a high percentage of non-ambulatory or semi-ambulatory patients, and many dependant on public transportation. To accommodate these patients, the Surgery Center of Lebanon will piggyback its management company's contacts with AmeriGroup, United Healthcare, and TennCare Select, providing access to the center for these patients and their physician providers; will build a one floor building; and build the facility near the intersection of U.S. Highway 70 (West Main Street) and Blair Road.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

**Response:** The existing certified services in the area include three single specialty surgery centers (one ophthalmology, one orthopaedic/pain management, and one GI), an outdated, dilapidated, seldom used hospital owned (one OR and one procedure room) surgery center, a hospital HOPD, and two hospitals providing outpatient surgery services.

One of the hospitals, Macon County General Hospital has one operating room that does both inpatient and outpatient surgery. There are no multi-specialty stand alone surgery centers in the service area that have properly sized operating rooms and facilities.

Please see the chart below which shows reported utilization of these existing facilities in the primary and secondary service areas, according to the filed JARs of these facilities.

### Reported Outpatient Surgery Utilization

<u>County</u>	<u>Facility</u>	<u>OR/PR</u>	<u>2009 Proc.</u>	<u>2010 Proc.</u>	<u>2011 Proc.</u>	<u>Procedures per room in 2011</u>
Wilson	Lebanon Endoscopy Center <sup>1</sup>	2	2827	3302	2767	1383.5
Wilson	Wilson County Eye Surgery Center <sup>2</sup>	2	3396	5428	1873	936.5
Wilson	Lebanon Surgical Center <sup>3</sup>	2	501	199	97	47.5
Wilson	University Medical Center	4	5287	5646	5518	1379.5
Macon	Macon County General Hospital	1	253	352	733	733
Trousdale	Trousdale Medical Center <sup>4</sup>	0	167	22	0	0
	<b>Total</b>	11	12431	14949	10988	999

Source: Tennessee Department of Health, Office of Health Statistics, Joint Annual Reports.

<sup>1</sup>Limited to endoscopy. Lebanon Endoscopy licensed 4/23/09.

<sup>2</sup>Limited to ophthalmology.

<sup>3</sup>Affiliated with University Medical Center.

<sup>4</sup>Formerly utilized a single room as both an operating room and a procedure room, until 2011.

Source: 2011 JAR

In 2007, CON #0702-016 was approved for University Medical Center to build an ASTC with three ORs and two procedure rooms for \$8.6 million. This CON expired on July 1, 2010, according to HSDA records. Originally, this was described as a multi specialty surgery center to be joint ventured with local physicians. Early in 2009, these plans were scrapped, and the hospital instead attempted to joint venture the entire hospital with its medical staff. When this did not fully develop, the hospital filed a request for an extension of the original project with the HSDA. However, this CON expired, as noted above, in July 2010. UMC then decommissioned four operating rooms in the hospital and relocated them to a new hospital outpatient department constructed in the hospital parking lot. This project did not change the capacity of outpatient operating rooms in the service area.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

**Response:** This project will be a new facility. Thus, it has no historical utilization. The applicant projects that it will experience 2,405 procedures in year 1 of operations, and 3,650 procedures in year 2 of operations.

## ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
  - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
  - The cost of any lease should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater.
  - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
  - For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

**Response:** Please see the project costs chart on the following page. A letter from Steve Powell, Principal, Powell Design Studio that supports the estimated construction costs is included as Attachment G Economic Feasibility-1.



## PROJECT COSTS CHART

2013 FEB 14 PM 2 53

A. Construction and equipment acquired by purchase:		
1.	Architectural and Engineering Fees	\$75,000
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$25,000
3.	Acquisition of Site	
4.	Preparation of Site	
5.	Construction Costs	
6.	Contingency Fund	
7.	Fixed Equipment (Not included in Construction Contract)	
8.	Moveable Equipment (List all equipment over \$50,000)	\$1,125,000
9.	Other (Specify) _____	
B. Acquisition by gift, donation, or lease:		
1.	Facility (inclusive of building and land)	930,000
2.	Building only	
3.	Land only	
4.	Equipment (Specify)	
5.	Other (Specify) _____	
C. Financing Costs and Fees:		
1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	52,500
4.	Other (Specify) _____	
D.	Estimated Project Cost (A+B+C)	2,207,500
E.	CON Filing Fee	4,967
F.	Total Estimated Project Cost (D+E)	
	<b>TOTAL</b>	<b>\$2,212,467</b>

## 2. Identify the funding sources for this project.

- a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

- X A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- C. General obligation bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting.
- D. Grants--Notification of intent form for grant application or notice of grant award; or
- E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- F. Other—Identify and document funding from all other sources.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

**Response:** Although this ASTC will be leased, the projected construction costs for its builder (\$220 per square foot) compare favorably with the costs of other recently approved ASTC CONs, as set forth below.

#### COMPARABLE ASTC CONSTRUCTION COSTS

Facility	CON Number	Cost Per Square Foot
Plateau Surgery Center	CN0804-025	\$160
Mid-State Endoscopy Center	CN0901-004	\$175
Specialty Care	CN0810-077	\$200
McCabe Eye Surgery Center	CN0807-042	\$250

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

**Response:** The applicant seeks to establish a new ASTC. Thus, it has no historical utilization data. Its projected data for the first two years of operation are set forth in the attached Projected Data Chart.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

**Response:** The average net revenue per patient for each specialty was obtained from the company's other institutions as follows:

*Orthopaedics	\$1,500
*ENT	\$1300
*Pain	\$450
*GYN	\$940
*General Surgery	\$1100

## HISTORICAL DATA CHART

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in \_\_\_\_\_ (Month) \_\_\_\_\_, \_\_\_\_\_.

2013 FEB 14 PM 2:53 Not Applicable.

	Year _____	Year _____	Year _____
A. Utilization Data (Specify unit of measure)	_____	_____	_____
B. Revenue from Services to Patients			
1. Inpatient Services	\$ _____	\$ _____	\$ _____
2. Outpatient Services	_____	_____	_____
3. Emergency Services	_____	_____	_____
4. Other Operating Revenue	_____	_____	_____
(Specify) _____			
<b>Gross Operating Revenue</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
C. Deductions for Operating Revenue			
1. Contractual Adjustments	\$ _____	\$ _____	\$ _____
2. Provision for Charity Care	_____	_____	_____
3. Provisions for Bad Debt	_____	_____	_____
<b>Total Deductions</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b>NET OPERATING REVENUE</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
D. Operating Expenses			
1. Salaries and Wages	\$ _____	\$ _____	\$ _____
2. Physician's Salaries and Wages	_____	_____	_____
3. Supplies	_____	_____	_____
4. Taxes	_____	_____	_____
5. Depreciation	_____	_____	_____
6. Rent	_____	_____	_____
7. Interest, other than Capital	_____	_____	_____
8. Other Expenses (Specify) _____	_____	_____	_____
<b>Total Operating Expenses</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
E. Other Revenue (Expenses) – Net (Specify)	\$ _____	\$ _____	\$ _____
<b>NET OPERATING INCOME (LOSS)</b>			
F. Capital Expenditures			
1. Retirement of Principal	\$ _____	\$ _____	\$ _____
2. Interest	_____	_____	_____
<b>Total Capital Expenditures</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b>NET OPERATING INCOME (LOSS)</b>			
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>

## PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 1	Year 2
A. Utilization Data (Specify unit of measure) cases	<u>2,405</u>	<u>3,650</u>
B. Revenue from Services to Patients		
1. Inpatient Services	\$ <u>          </u>	\$ <u>          </u>
2. Outpatient Services	<u>4,388,391</u>	<u>6,124,673</u>
3. Emergency Services	<u>          </u>	<u>          </u>
4. Other Operating Revenue (Specify) <u>          </u>	<u>          </u>	<u>          </u>
<b>Gross Operating Revenue</b>	<b><u>\$4,388,391</u></b>	<b><u>\$6,124,673</u></b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$1,294,575</u>	<u>\$1,806,778</u>
2. Provision for Charity Care	<u>88,000</u>	<u>122,500</u>
3. Provisions for Bad Debt	<u>100,000</u>	<u>125,000</u>
<b>Total Deductions</b>	<b><u>\$1,482,575</u></b>	<b><u>\$2,054,278</u></b>
<b>NET OPERATING REVENUE</b>	<b><u>\$2,905,816</u></b>	<b><u>\$4,070,395</u></b>
D. Operating Expenses		
1. Salaries and Wages	<u>812,890</u>	<u>1,233,700</u>
2. Physician's Salaries and Wages	<u>          </u>	<u>          </u>
3. Supplies	<u>670,000</u>	<u>1,100,000</u>
4. Taxes	<u>          </u>	<u>          </u>
5. Depreciation	<u>160,715</u>	<u>160,715</u>
6. Rent	<u>186,000</u>	<u>186,000</u>
7. Interest, other than Capital	<u>          </u>	<u>          </u>
8. Management Fees:		
a. Fees to Affiliates	<u>174,350</u>	<u>244,224</u>
b. Fees to Non-Affiliates	<u>          </u>	<u>          </u>
9. Other Expenses (Specify) <u>Laundry, utilities, insurance, maintenance</u>	<u>428,000</u>	<u>430,000</u>
<b>Total Operating Expenses</b>	<b><u>\$2,431,955</u></b>	<b><u>\$3,354,639</u></b>
E. Other Revenue (Expenses) -- Net (Specify)	\$ <u>          </u>	\$ <u>          </u>
<b>NET OPERATING INCOME (LOSS)</b>	<b><u>\$473,861</u></b>	<b><u>\$715,756</u></b>
F. Capital Expenditures		
1. Retirement of Principal	<u>\$69,222</u>	<u>\$142,814</u>
2. Interest	<u>94,205</u>	<u>45,211</u>
<b>Total Capital Expenditures</b>	<b><u>\$163,247</u></b>	<b><u>\$188,025</u></b>
<b>NET OPERATING INCOME (LOSS)</b>		
<b>LESS CAPITAL EXPENDITURES</b>	<b><u>\$310,614</u></b>	<b><u>\$527,731</u></b>

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

**Response:** Projected charges for the anticipated top five procedures are as follows:

*Knee arthroscopy:	\$3515
*Ear Tubes	\$4560
Tonsil	\$2796
*Shoulder arthroscopy	\$3515
*Lap Tubal	\$3895

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

**Response:** The introduction of a multi specialty ambulatory surgery center to the community will result in significant savings to all payers and all patients. The introduction of these services to the service area will have a positive impact on reducing the cost of healthcare. Currently Medicare reimbursement for procedures performed at free-standing ASTCs is more than 40% lower than reimbursement for the same procedures in hospitals.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

**Response:** Unlike other projects, this is a project that was designed from the ground up. With flexible staffing and overhead, the project should achieve a positive cash flow in the first year of operations.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

**Response:** Lebanon Healthcare Partners, LLC will raise some \$250,000 in equity for initial start up and capitalization to reach break even. Although additional capital calls are not anticipated, a capital call on LLC members could be used on a worst case basis to continue to fund losses. It will also have access to a revolving credit line, and a term loan on its equipment.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

**Response:** Surgery Center of Lebanon anticipates participating in Medicare and TennCare. All physicians in the project are TennCare providers, and all of Specialty Surgery Centers of America (the management company) surgery centers have contracted with all three TennCare MCOs.

Medicare utilization is expected to be 35% of all patient visits, is expected to produce 19% of total actual revenue in the first year, or approximately \$552,105. TennCare utilization is expected to be 15% of all patient visits, is expected to produce 10.1% of actual revenues, or approximately \$293,500.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

**Response:** This is a relatively new LLC with limited prior operations and no operating income to date.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
  - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

**Response:** Establishing a new, state of the art, multi specialty surgery center is the most cost effective method of providing services to patients in this service area. The CON previously approved withstood an appeal and a recession. Other than not completing the project, no alternatives to relocation are economically available. The possibility of acquiring an existing single-specialty center and converting it, via CON, to multi-specialty status was considered, but the costs were prohibitive and a CON would still be required.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

**Response:** There are no other multi specialty surgery centers in the service area that have adequate facilities. The cost of this relocation project compares favorably to the cost of this project as originally approved.

### (III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

**Response:** All of the physicians involved in this project are on staff at University Medical Center, and would seek to have a transfer agreement with the hospital, as well as working arrangements for laboratory, sharing of equipment, etc.

Surgery Center of Lebanon anticipates providing in the following managed care contracts that its management company has at other centers. This includes

Medicare

BlueCross

AmeriGroup

United Healthcare

TennCare Select

Aetna

Cigna

Humana

Private Healthcare Systems

Tri-Care

Etc.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

**Response:** The Surgery Center of Lebanon will have a positive impact on the medical community for multiple reasons. First, there is currently a need for 3-5 additional operating rooms in the service area. This was initially evidenced by the approval by the HSDA of University Medical Center's CON in July, 2007 as well as the prior CON for this project at its original site. Since then, only a small orthopedic only center has been developed, while population in the service area has continued to grow.

Secondly, there is a need for a free standing multi specialty surgery center that will provide needed cost competition to the market. Surgery Center of Lebanon will charge significantly less than local hospitals for the same procedures, and will be reimbursed significantly less, achieving significant savings for government payors, insurers, and patients.

Finally, this project will bring surgical services into a more accessible environment for all patients. Additional capacity will allow better scheduling of patients. Moreover, the location of this facility near Highway 70 in Lebanon will provide improved transportation access for outpatient surgery patients.



3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

**Response:** Surgery Center of Lebanon anticipates staffing the center initially with 6 registered nurses, 4 scrub techs, and 3-4 LPNs. Total FTEs are expected to be 18. Base rates for Registered Nurses is expected to be \$28-\$33 per hour. According to the website of the Tennessee Department of Labor and Workforce Development in the Metro Nashville MSA, which includes this service area, the RN median wage was \$28.90 per hour in 2012. The TDOLWFD website reports 2012 median wages for "Healthcare Support Workers, All Other" as \$14.60 per hour.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

**Response:** The applicant does not anticipate any difficulty in finding adequate staffing for the facility.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

**Response:** The Applicant has reviewed and understands all certifications as required by the State of Tennessee for medical/clinical staff.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

**Response:** The Center's Management Company has participated in training of scrub techs and nursing students in the past, and anticipates doing so in the future..

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

**Response:** The applicant has reviewed and understands the licensure requirements of the Department of Health and any applicable Medicare requirements.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

February 27, 2013

4:19pm

**Response:** The Tennessee Department of Health, Division of Licensing and Certification would issue our license. The applicant will seek early accreditation with the Accreditation Association for Ambulatory Healthcare (AAAHC).

If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

**Response:** Not applicable.

- (c) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

**Response:** Not applicable.

9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

**Response:** Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing.

10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

**Response:** Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing.

11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

**Response:** The applicant will provide the information as required.

### PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

**Response:** Please see attached [affidavit of] publication showing that publication occurred in The Lebanon.

### DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

**Response:** The applicant does not anticipate requesting an extension of time at this time.

Form HF0004  
Revised 05/03/04  
Previous Forms are obsolete

## Cost of Publication

\$ 200.50

## Proof of Publication

### NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 58-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Surgery Center of Lebanon, N/A owned by Lebanon Healthcare Partners, LLC with an ownership type of limited liability company and to be managed by Specialty Surgery Centers of America, Inc., intends to file an application for a Certificate of Need for:

The relocation of an approved but unimplemented certificate of need for a multi-specialty surgery center. The proposed facility previously approved under CON CND006-036 will be relocated from its original approved site at 101 Physicians Way, Lebanon (Wilson County), TN 37087 to a new unaddressed site located on the east side of Blair Lane in Lebanon, Wilson County, Tennessee 37087. The new, unaddressed site is approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, and approximately 200 yards south of the intersection of Blair Lane and Monument Lane in Lebanon. As with the originally approved CON application, this ASTC will include three operating rooms and one procedure room, as well as requisite clinical and support space, including 12 pre-operation and post-operation bed spaces. The projected square footage for this project is approximately 9,300 square feet. The estimated project costs are approximately \$2,300,000. The anticipated date of filing the application is: February 14, 2013.

The contact person for this project is: Keith Bolton, CEO who may be reached at: Specialty Surgery Centers of America, Inc., 9206 Concord Road, Brentwood, TN 37027, 931-801-2558.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency

The Frost Building, Third Floor

161 Rosa L. Parks Boulevard

Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 58-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior

# LEBANON DEMOCRAT

## PUBLICATION CERTIFICATE

This is to certify that the legal notice hereto attached was published in *The Lebanon Democrat*, a daily newspaper published in the City of Lebanon, County of Wilson, State of Tennessee on the following dates:

Signed: Margaret Ray

Feb. 9, 2013

Subscribed and sworn to before me

on this 14 day of Feb

Commission expires: 2-3-15

### PROJECT COMPLETION FORECAST CHART

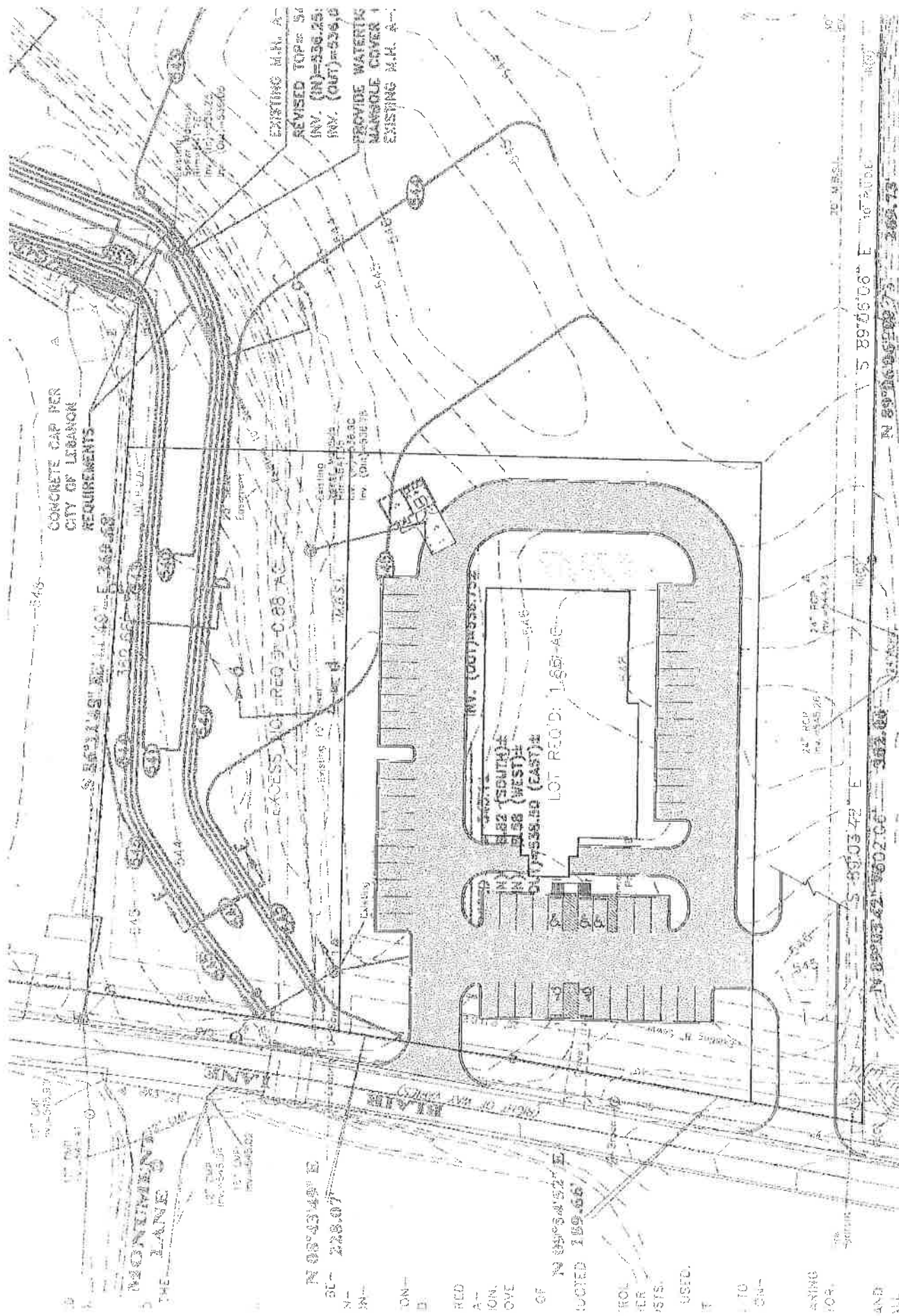
Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c): May 22, 2013

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>Phase</u>		<b>DAYS REQUIRED</b>	<b>Anticipated Date (MONTH/YEAR)</b>
1.	Architectural and engineering contract signed	<u>10</u>	<u>June 2013</u>
2.	Department of Health	_____	_____
3.	Construction contract signed	<u>120</u>	<u>September 2013</u>
4.	Building permit secured	<u>140</u>	<u>October 2013</u>
5.	Site preparation completed	<u>200</u>	<u>December 2013</u>
6.	Building construction commenced	<u>240</u>	<u>February 2014</u>
7.	Construction 40% complete	<u>300</u>	<u>April 2014</u>
8.	Construction 80% complete	<u>360</u>	<u>June 2014</u>
9.	Construction 100% complete (approved for occupancy)	<u>420</u>	<u>September 2014</u>
10.	*Issuance of license	<u>460</u>	<u>October 2014</u>
11.	*Initiation of service	<u>460</u>	<u>October 2014</u>
12.	Final Architectural Certification of Payment	<u>460</u>	<u>October 2014</u>
13.	Final Project Report Form (HF0055)	<u>470</u>	<u>November 2014</u>

\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

**Note:** If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

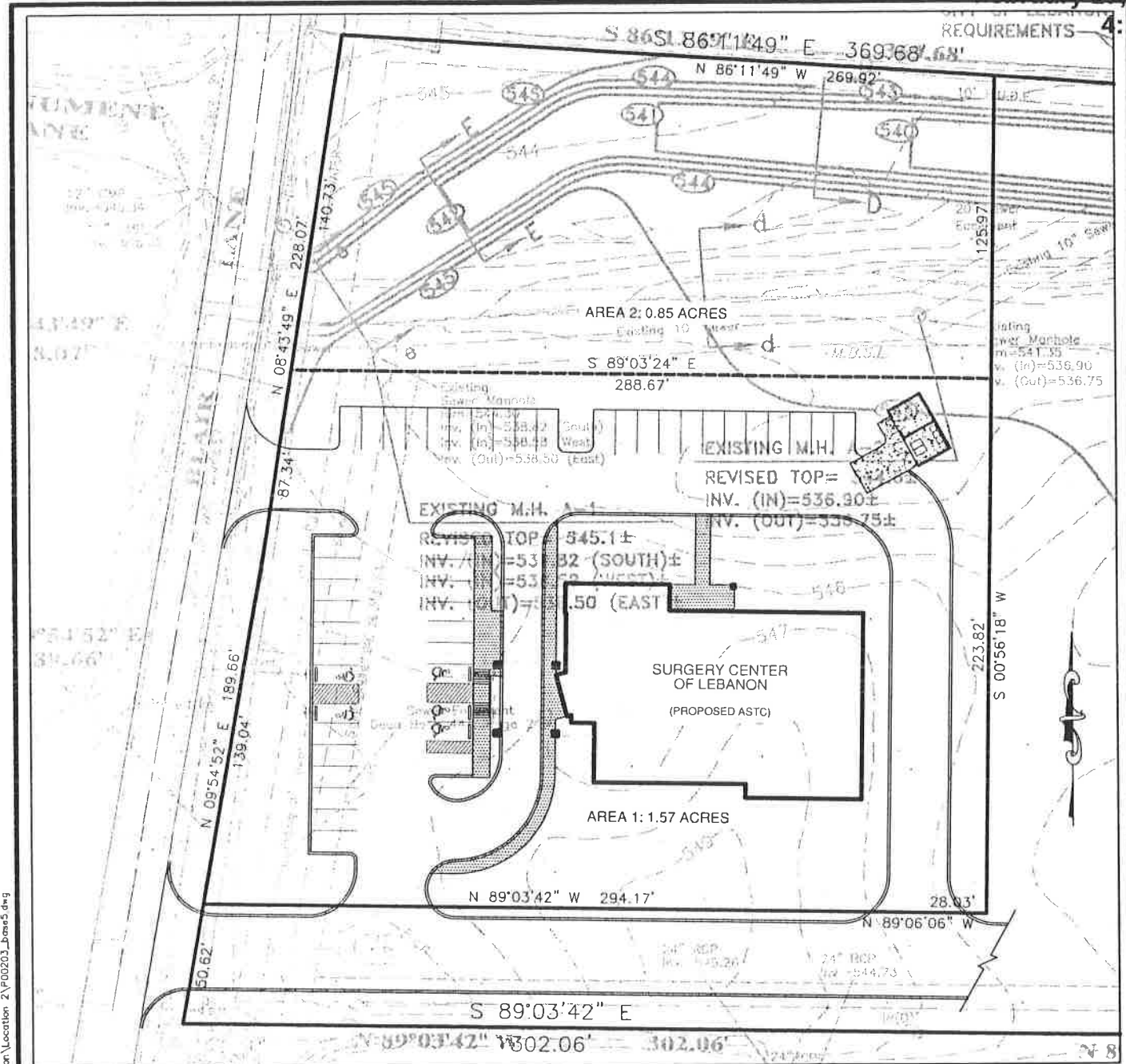


Lebanon 3 1-15-13

### **B.III.A. - Plot Plan**

February 27, 2013

4:19pm



PROPOSED PLOT PLAN

NOT TO SCALE

1 of 1

## SURGERY CENTER OF LEBANON

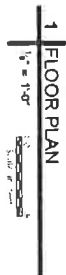
BLAIR LANE  
LEBANON, TENNESSEE  
SPECIALTY SURGERY CENTERS OF AMERICA, INC.



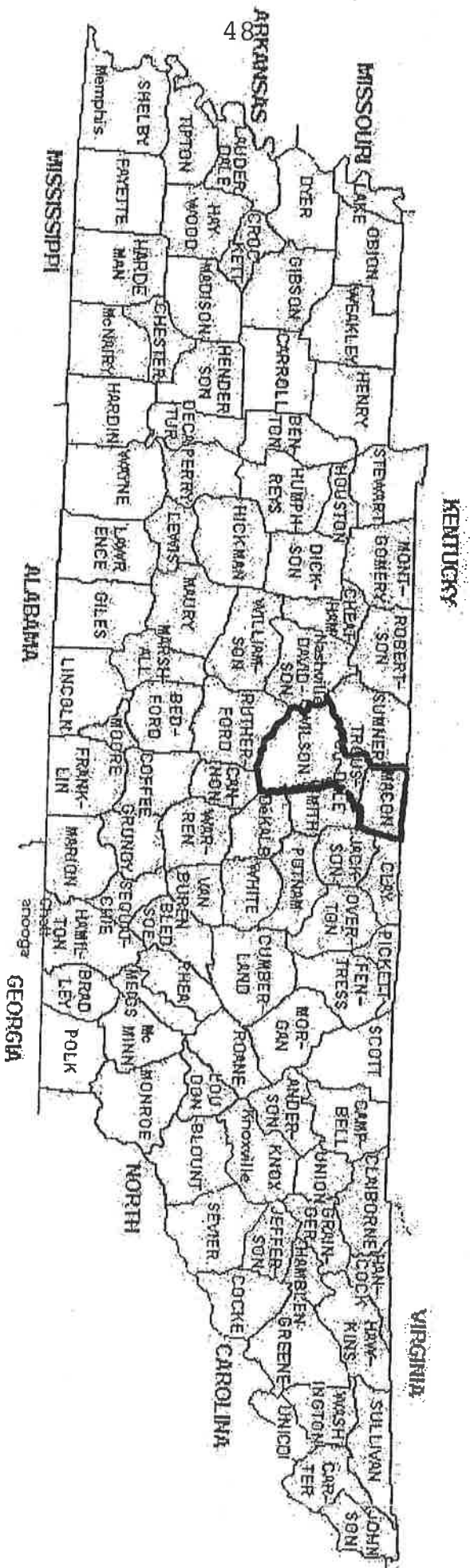
CIVIL ENGINEERING SURVEYING PLANNING  
2488 NASHVILLE HIGHWAY  
COLUMBIA, TN 38401  
PHONE (931) 388-2320  
www.webbengineering.com



## **B.IV. - Floor Plan**



### **C.3. - Service Area Map**



## **C. Economic Feasibility 1. - Construction Documentation**



1614 17<sup>th</sup> Ave South  
 Nashville, TN 37212  
 Office 615-277-1178  
 Fax 615-277-1179  
 www.projxllc.com

February 14, 2013

**RE: New Ambulatory Surgery Center in Lebanon, Tennessee  
 For Lebanon Healthcare Partners, LLC  
 ProjX Project No. 121004**

To Whom it May Concern:

I am an Architect, licensed in the State of Tennessee. My Architecture License number is 14946.

I designed the attached floor plan for the Ambulatory Surgery Center to be built in Lebanon, Tennessee. Total building size is 9,300 s.f. excluding canopies.

Final construction documents will conform to all codes as listed with the City of Lebanon and the State of Tennessee including:

- 2006 International Building Code
- 2006 International Plumbing Code
- 2006 International Mechanical Code
- 2002 National Electrical Code.
- 2006 International Fire Code
- 2006 International Fuel Gas Code
- 2006 International Existing Building Code
- 2002 North Carolina Handicap Code with 2004 Revisions
- Americans with Disabilities Act (ADA) with 2002 Amendments.
- 2006 Life Safety Code
- 2006 International Energy Conservation Code
- 2006 AIA Guidelines for Design and Construction of Health Care Facilities.
- 2003 ASHRAE Handbook of Fundamentals.

Our estimate of probable cost is \$220 per square foot.

With you in a Spirit of Service,

Ira A. Chilton, NCARB  
 TN Architecture License #14946



# CARDIOVASCULAR ANESTHESIOLOGISTS, P.C.

Anesthesia and Intensive Care

NANCY J. DELBOY, M.D.  
LAWRENCE W. FREUND, D.O.  
PAUL A. MAZZONI, M.D.  
J. DAVID NETTERVILLE, M.D.

BRIAN J. POORE, M.D.  
KENNETH C. PETRONI, M.D.  
ROSCOE V. ROBINSON, M.D.  
JESSEE SCRUGGS, M.D.  
RICHARD C. TOMICHEK, M.D.

February 13, 2013

Mr. Keith Bolton  
Lebanon Healthcare Partners LLC  
9206 Concord Road  
Brentwood, TN 37027

Dear Mr. Bolton:

Thank you for your continued interest, support, and relationship with Cardiovascular Anesthesiologists, PC. As you know, we have enjoyed our relationship with you at some of your other surgery centers, and we look forward to our continued working relationship with you.

Pursuant to our discussion, CVA looks forward to providing anesthesia services at your new facility in Lebanon, known as Surgery Center of Lebanon. We would anticipate that this relationship would involve providing both MD anesthesiologists as well as CRNA's at that facility.

Please continue to keep us updated on the status of the project, and when we can expect to begin service.

Thank you again for your interest in CVA.

Sincerely,



Paul A. Mazzoni MD

2013 FEB 14 PM 2 55

## AFFIDAVIT


STATE OF TENNESSEE

COUNTY OF DAVIDSON

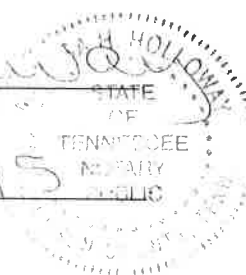
KEITH BOLTON, being first duly sworn, says that he is the applicant named in this application or the lawful agent thereof, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

\_\_\_\_\_  
Signature/Title

Sworn to and subscribed before me this the 14th day of February, 2013, a Notary Public in and for the County of Davidson, State of Tennessee.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission expires 5/5/15





# **Copy**

## **Supplemental #1**

### **Surgery Center of Lebanon**

#### **CN1302-003**

February 27, 2013

4:19pm

2013 FEB 27 PM 3 19

February 27, 2013

Mr. Phillip M. Earhart  
Health Planner III  
Tennessee Health Services and Development Agency  
Suite 850  
Andrew Jackson Building  
Nashville, TN 37219

Via Hand Delivery

Re: Certificate of Need Application CN1302-003  
Surgery Center of Lebanon

Dear Mr. Earhart:

Set forth below are the responses of Surgery Center of Lebanon, the applicant in Certificate of Need Application CN1302-003 to the request for information dated February 20, 2013. We have filed these in triplicate, as you directed, along with an affidavit regarding the responses. If you have any questions or need additional information, please advise.

**1. Section A, Applicant Profile, Item 4**

Please describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

**RESPONSE:** An organizational chart for Specialty Surgery Centers of America, Inc. is attached as exhibit A. A manifest for Lebanon Healthcare Partners is also attached. All facilities (except for Lebanon Healthcare Partners) identified are currently licensed by the State of Tennessee and accredited either by AAAHC or JCAHO. The only healthcare institution as defined in this question that SSCA owns equity in currently is the Surgery Center of Columbia, 725 S. James Campbell Blvd., Columbia, TN 38401.

**2. Section A, Applicant Profile, Item 5**

The draft management agreement is noted. Please indicate the management fee payment methodology and schedule. Please describe the management entity's experience in providing

management services for the type of the proposed facility, which is the same or similar to the applicant facility. Please describe the structure of the management entity.

**RESPONSE:** Lebanon Healthcare Partners will be managed by Specialty Surgery Centers of America, Inc., a corporation. Management fees are to be paid at a rate of 6% of net (cash) revenues. Specialty Surgery Centers of America has owned and managed ambulatory surgery center for 20 years, including 12 at the Surgery Center of Columbia and 8 at the Clarksville Surgery Center. The executed signature page for the management agreement is attached.

**3. Section A, Applicant Profile, Item 6**

The draft lease agreement is noted. Please attach a fully executed option to lease agreement or other appropriate documentation. The option to lease agreement must include the actual/anticipated term of the agreement and actual/anticipated lease expense.

**RESPONSE:** An executed signature page for the lease is attached.

**4. Section A, Applicant Profile, Item 8**

Please specify under 8.E. purpose for review.

**RESPONSE:** This will be a new institution, as well as the relocation of a project previously approved by the HSDA. A revised 8.E. page is attached.

**5. Section B, Project Description, Item I.**

In the previously approved project Surgery Center of Lebanon, CN0906-036A, the applicant indicated many physicians, including those involved in Tennessee Sports Medicine and the Lebanon Endoscopy Center, have moved their practices and their surgical facilities south to the I-40 corridor to provide better access to their patients. It appears the applicant in this application is relocating north of Interstate 40 in Lebanon. Please clarify how this relocation will better meet the needs of patients in terms of access as identified in the previously approved project.

Please describe the type of pain management procedures that will be performed at the proposed ASTC site.

The applicant states specialties to initially be represented in the proposed project includes orthopedics, pain management, ENT, general and plastic surgery. Please complete the following table that breaks out the total number of procedures and physicians that will be assigned to each specialty category.

Specialty	Total Cases In Year One	Estimated # of Staff Physicians
Orthopedics		
Pain Management		

ENT		
General Surgery		
Plastic Surgery		
Other		
Total		

**RESPONSE:** The applicant has been unable to construct this project at its originally approved site due to the financial difficulties of the developer who was supposed to build the MOB which was to have housed this ASTC originally. The new location as set forth in this application is easily accessible; it is just off U.S. Highway 70 in Lebanon, as well as being in close proximity to I-40 and State Route 840 as shown herein.

Specialty	Total Cases In Year One	Estimated # of Staff Physicians
Orthopedics	1155	5
Pain Management	265	2
ENT	287	2
General Surgery	225	8
Plastic Surgery	95	1
Other	378	4
Total	2,405	14

The applicant to deliver the following types of pain management procedures: radiofrequency discectomies, epidural injections, and facet injections, among other types of procedures.

Please indicate if the applicant plans to add additional surgical specialties to the proposed project in the future. If so, what types?

**RESPONSE:** The applicant will seek to add gynecology, podiatry, urology after opening if the market demands.

**6. Section B, Item II B. (Project Description) (Plot Plan)**

Your response is noted. Please identify where the proposed ASTC structure will be located on the plot plan. Please indicate and resubmit.

**RESPONSE:** The requested documentation is attached hereto.

**7. Section B, Item III B. (1)**

Please indicate the distance of interstate 40 and 840 to the proposed site.

**RESPONSE:** According to Mapquest.com, this project's site is 3.5 miles from I-40 and 4.5 miles from 840.

**8. Section B. Item IV.**

Please submit a floor plan drawing which includes legible labeling of patient care rooms, ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

**RESPONSE:** The requested floor plan is attached.

**9. Section C, Need Item 1**

Please discuss how the proposed project will relate to the "5 Principles for Achieving Better Health found in the State Health Plan."

**RESPONSE:**

1. *"The purpose of the State Health Plan is to improve the health of Tennesseans."*

**RESPONSE:** This project will meet the stated goals of this principle. This project will provide convenient, economical ambulatory surgical services to the people of the service area of Wilson, Macon and Trousdale Counties.

2. *"Every citizen should have reasonable access to health care."*

**RESPONSE:** This project will improve the access to healthcare in the service area. Because it is close to one of the main thoroughfares through the service area, U.S. Highway 70, as well as being quickly available from Interstate 40 and Route 840, this project will assist in insuring that the citizens of the service area have reasonable access to healthcare.

Furthermore, this project will further assist in assuring reasonable access to healthcare because it will serve all enrollees of all three of the TennCare MCOs that serve the people of this service area.

3. *"The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's health care system."*

**RESPONSE:** This project be efficient in that it provides a newly established ambulatory surgical treatment center that is efficiently designed and that will be competitive in the market for ambulatory surgical services. This will be an independent ambulatory surgical treatment center, not one that is owned by, or related to, any hospital or hospital system.

4. *"Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers."*

**RESPONSE:** This project will meet the goals of this quality of care principle as set forth above, because it will be managed by an ambulatory surgical treatment center management company that has years of experience in monitoring and assuring that appropriate quality standards are met by the ASTCs that it has managed.

This project will be equitable because it will serve all of the enrollees of the area's three TennCare MCOs, as well as those individuals who have private insurance. It will be patient centered, timely and efficient because it is outpatient oriented and managed by an experienced management company. Its services will be safe and effective because they will be provided by experienced area surgeons whose own professional liability is on the line when they operate in this center.

5. *"The state should support the development, recruitment and retention of a sufficient and quality health care workforce."*

**RESPONSE:** This project will assist in developing, recruiting and retaining a high quality healthcare workforce. The management company which will manage this project has years of experience in recruitment and retention of a quality healthcare workforce in middle Tennessee, and will apply its experience and skills in this regard in this project.

**10. Section C, Need Item 1.b.**

Please provide an individual response to each of the following factors:

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the HSDA may consider, in addition to the foregoing factors, the following factors:

- (a) **Need.** The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

**RESPONSE:** The applicant asserts that the proposed new site for the establishment of this ASTC project will serve the healthcare needs of the service area at least as well as the original site. It is, as noted above, very convenient to U.S. Highway 70 in Lebanon, Wilson County, as well as being close to Interstate 40 and Route 840. It is necessary for the applicant to change the site for the establishment of this ASTC because of the problems the developer of the proposed former site ran into with financing and carrying out the medical office building project in which this project was originally proposed to be located.

- (b) **Economic factors.** The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

**RESPONSE:** This project is as economically beneficial to the population to be served as the original site. The applicant will offer its services, just as before, to all enrollees of the three TennCare MCOs in the service area. The easy access of this site to U.S. Highway 70, and its proximity to Interstate 40 as well, will make access to the site very economical for residents of the service area.

- (c) **Contribution to the orderly development of health care facilities and/or services.** The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

**RESPONSE:** Because the original developer of the site was unable to complete construction of a medical office building which was to house this ASTC as originally proposed, this project will contribute to the orderly development of healthcare facilities in the area. This project, as proposed in this CON application, does not require the construction of a medical office building. It will be housed in a single purpose ASTC building of approximately 9,300 square feet, and it will have adequate parking and access to serve the needs of the service area. It will be much less expensive for the developer to complete than the original project, which required the completion of an MOB in which it was to be housed.

**11. Section C, Need Item 1 (Specific Criteria –ASTC Item 3)**

Please clarify the distance and driving time the proposed site is from Lebanon (Wilson County), Lafayette (Macon County) and Hartsville (Trousdale) County, TN.

**RESPONSE:** Per Mapquest.com, Lafayette, in Macon County, is 35 miles from the proposed site of this project. Driving time for these 35 miles is approximately 47 minutes. Hartsville, in Trousdale County, is 21 miles from the project's proposed site in Lebanon, with a driving time of approximately 29 minutes.

**12. Section C, Need Item 1 (Specific Criteria –ASTC Item 7)**

The projected utilization for the first 8 quarters of the project is noted. Please indicate if the utilization is projected in cases or procedures. If the utilization numbers are procedures, please project utilization in cases.

Please include the specific methodology used to project utilization for the first eight quarters of the proposed project.

**RESPONSE:** Utilization numbers are in cases. A revised Projected Data Chart is attached.

Please include the specific methodology used to project utilization for the first eight quarters of the proposed project.

These data were developed utilizing the historical experience of the manager in terms of the ramp up of caseload at new ASTCs, taking into account licensure, equipment purchases, managed care contracts, etc.

**13. Section C. Item 2**

Please indicate if there are any long-range development plans of the applicant beyond establishing an ambulatory surgery treatment center.

**RESPONSE:** The applicant has no long-range development plans beyond the development of the ASTC.

Does the applicant have in mind a group of anesthesiologists who would be interested and have the capability to provide anesthesia services to the ASTC? If so, please provide a letter of interest from the group which also described their willingness to provide services to TennCare beneficiaries.

**RESPONSE:** The requested documentation is attached hereto.

**14. Section C, Need Item 4 (Service Area Demographics)**

Please complete the following table for the service area population and demographics.

Demographic /Geographic Area	Macon County	Wilson County	Trousdale County	Service Area / Macon, Trousdale, Wilson County Total	State of TN Total
Total Population- Current Year -2013					
Total Population- Projected Year -2017					
Total Population-% change					
Age 65 & over Population - 2013					
Age 65 & over Population - 2017					
Age 65 & over Population - % change					
Age 65 & over Population as % of Total Population					
Median Household Income					
TennCare Enrollees					
TennCare Enrollees as % of Total					
Persons Below Poverty Level					



Persons Below Poverty Level as % of Total					
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The Tennessee Department of Health's Population Projections 2010-2020 should be used for the population projections, the US Census Bureau and the State of Tennessee Bureau of TennCare websites will be helpful in gathering the other demographic statistics.

**RESPONSE:**

Demographic /Geographic Area	Macon County	Wilson County	Trousdale County	Service Area / Macon, Trousdale, Wilson County Total	State of TN Total
Total Population-Current Year -2013	23,452	116,150	8,359	147,961	6,414,297
Total Population-Projected Year -2017	24,408	122,658	8,090	155,756	6,623,114
Total Population-% change	4.04%	5.6%	3.96%	5.3%	3.25%
Age 65 & over Population - 2013	2,867	14,229	1,274	18,370	881,390
Age 65 & over Population - 2017	2,703	16,548	1,437	20,688	1,015,339
Age 65 & over Population - % change	6.1%	16.3%	12.83%	12.6%	15.2%
Age 65 & over Population as % of Total Population	14.3%	12.62%	13.8%	12.4%	13.7%
Median Household Income	34,474	61,400	44,163	not known	\$43,939
TennCare Enrollees	5,865	14,294	1,651	21,349	1,213,475
TennCare Enrollees as % of Total	24.7%	12%	19.5%	14%	18.8%
Persons Below Poverty Level	8,184	9,872	1,245	19,301	1,084,016
Persons Below Poverty Level as % of Total	23.9%	8.5%	14.9%	13%	16.9%

**15. Section C, Need Item 5**

Please complete the following chart.

Provider	2009		2010		2011	
	# OR's	Cases	# OR's	Cases	# OR's	Cases
<b>ASTC's</b>						
Lebanon Endoscopy Ctr.						
Wilson County Eye Surgery Ctr.						

Lebanon Surgical Center						
<b>Hospitals</b>						
Macon Co. Gen Hospital						
Input Cases						
Output Cases						
University Med. Ctr.						
Input Cases						
Output Cases						
Trousdale Medical Center						
Input Cases						
Output Cases						
Total ORs available for Outpt Surgery						
Total Cases						
Total Outpt Cases						

**RESPONSE:**

Provider	2009		2010		2011	
	# ORs	Procs	# OR's	Procs	# ORs	Procs
<b>ASTCs</b>						
Lebanon Endoscopy Ctr.	2 procs	2,827 procs	2 procs	3,302 procs	2 procs	2,767 procs
Wilson County Eye Surgery Ctr.	1 proc	3,396 procs	1 OR + 1 proc	5,429 procs	1 OR + 1 proc	1,873 procs
Lebanon Surgical Center	1 proc + 1 OR	501 procs	1 proc + 1 OR	199 procs	1 OR + 1 proc	97 procs
<b>Hospitals</b>						
Macon Co. Gen Hospital	11P + 1OP		11P + 1OP		1OP + 11P	
Input Procs		0		14 procs		35 procs
Output Procs		253 procs		352 procs		733 procs
University Med. Ctr.			41P + 4OP		41P + 4OP	
Input Procs		2,684		2,596 procs		2,435 procs
Output Procs		5,287		5,646 procs		5,570 procs
Trousdale Medical Center	11P + 1OP		11P + 1OP		0	
Input Procs		138 procs		19 procs		0
Output Procs		167 procs		22 procs		0
Total ORs available for Outpt Surgery OP & Proc	12		12		11	
Total Procs		15,253		17,579		13,510
Total Outpt Procs		12,431		14,768		11,040

**16. Section C. Economic Feasibility Item 1 (Project Cost Chart)**

The documentation from a health care experienced licensed architect, engineer, and/or health care facility contractor is noted. Please revise the provided documentation to reflect the proposed ASTC will conform to more recent 2010 AIA Guidelines for Design and Construction of Health Care Facilities.

The following definition regarding leased property cost in Tennessee Health Services and Development Agency Rule 0720-9-.01 (c) states "In calculating the value of a lease, the "cost" is the fair market value of the leased item or the total amount of the lease payment, whichever is greater." Please provide documentation of the fair market value of the premises leased and the calculation of the total amount of the lease payment over the five-year period.

Please provide a listing of the equipment which will cost over \$50,000 per item.

**RESPONSE:** The requested architectural documentation is attached. The Applicant expects to acquire a single C-arm for \$150,000 and two OR video towers with scopes for \$65,000 each.

The rule cited in this Request does not exist. Instead, Rule 0720-9.01(4)(c) states as follows:

(c) Lease, loan origin in calculating the value of a lease, loan, or gift, the "cost" is the fair market value of the above-described expenditures. In the case of a lease, the costs are the fair market value of the lease or the total amount of the lease payment whichever is greater. (Emphasis added.)

The "fair market value" of the lease at issue in this Certificate of Need must be the fair market value of the lease payments made thereunder.

To obtain the fair market value of lease payments made for five years in the future, those future payments must be discounted to present value. Thus, the actual payments made under the lease must exceed the net present value of those future payments today. The Certificate of Need application listed the total of lease payments made for the Projected Costs Chart.

**17. Section C. Economic Feasibility Item 2**

The applicant intends to fund the proposed project with a commercial loan. Please provide a letter from a lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, and anticipated term of the loan, and any restrictions or conditions.

**RESPONSE:** The requested potential loan documentation is attached.

**18. Section C, Economic Feasibility, Item 3**

Please compare this project's cost per square foot to cost per square foot ranges of previously approved ASTC projects found in the "Applicant's Toolbox" on the HSDA website ([www.tn.gov/hsda](http://www.tn.gov/hsda)) or provide specific examples supporting the reasonableness of proposed project costs.

**RESPONSE:** Previously approved new ASTCs have run a median cost per square foot at \$252 and a first quartile cost of \$200 per square foot. The last projects completed by the applicant ran between \$200 and \$212 per square foot. The projected costs of \$220 per square foot, given that the plot is level, are appropriate given the cost of other similar projects. The applicant in CON application CN1204-019 reported costs per square foot of \$290 (Southern Sports Surgery Center). Similarly, Maury Regional Ambulatory Surgery Center's CON application, CN1111-046, projected costs of \$224 per square foot.

**19. Section C, Economic Feasibility, Item 4**

Please indicate the utilization data (specific unit of measure) on the Projected Data Chart in procedures and cases.

**RESPONSE:** The projected data chart utilization was set forth in cases. A corrected Projected Data Chart is attached.

**20. Section C, Economic Feasibility, Item 5**

Please identify the project's average gross charge, average deduction from operating revenue and average net charge.

**RESPONSE:** The requested data are set forth below:

Average Gross Charge:	\$3,810
Average Contractual Adjustment per case:	\$2,686
Average Net Revenue per case:	\$1,124

**21. Section C, Economic Feasibility, Item 6 A. and 6.B**

The projected charges for the anticipated top five procedures in noted. Please provide the proposed charge schedules for the proposal.

**RESPONSE:** In 2009, Medicare set ambulatory surgery center reimbursement at 57% of hospital reimbursement for all cases.

The applicant states Medicare reimbursement for procedures performed at free-standing ASTC's are more than 40% lower than reimbursement for the same procedures in hospitals. Please provide specific examples relative to the proposed project that supports this statement.

**RESPONSE:** Gross charge, contractual and Medicare reimbursement for top five procedures are currently projected to be as follows:

CPT	Description	Applicant's Proposed Charge	Contractual	Medicare Allowable
29866	Knee Arthroscopy	\$5305	\$4244	\$1061
69436	Ear Tubes	3020	2416	604
42826	Tonsil Age >12	4455	3564	891
29806	Shoulder Arthroscopy	3890	3112	778
58671	Lap Tubal	8590	6872	1718

Please compare proposed charges to recently approved HSDA projects such as Southern Sports Surgery Center (CN1204-019A) and Maury Regional Ambulatory Surgery Center, LLC (CN1111-046A).

**RESPONSE:** Maury Regional ASC's CON application, CN1111-046A, projected (p.16) an average gross charge of \$4,500 with an average deduction of \$3,262, for an average net charge of \$1,237.

Southern Sports Surgery Center's CON application, CN1204-019, projected an average gross charge for surgery of \$5,600, with an average deduction of \$3,434, for an average net charge of \$1,766 for surgical cases.

**22. Section C. Economic Feasibility, Item 8**

Please describe the access to the mentioned revolving credit line and an equipment term loan the applicant mentions could be used on a worst case basis to continue to fund possible losses within the first two years of the proposed project.

**RESPONSE:** The applicant intends to have a \$250,000 revolving line of credit available to the company to fund any losses or unanticipated problems during the development, opening, and operation of the Surgery Center of Lebanon.

**23. Section C. Economic Feasibility, Item 9**

Please identify the three TennCare MCOs the applicant anticipates to contract with.

**RESPONSE:** The applicant anticipates contracting with the three TennCare MCOs who serve Middle Tennessee: Amerigroup, United Healthcare, and Blue Cross/TennCare Select

The anticipated TennCare and Medicare revenue percentages do not correspond to the Projected Data Chart Gross revenue projections. Please recalculate and resubmit a replacement page if necessary.

**RESPONSE:** The anticipated TennCare and Medicare revenue percentage as components of gross charges total as follows: Medicare charges equal to \$1,535,937 and projected TennCare charges equal approximately \$658,259. These figures are for the first year of the operations.

The application pages are correct as to percentages of utilization and year actual projections from Medicare and Medicaid.

**24. Section C. Economic Feasibility, Item 10**

Please provide financial information such as copies of balance sheets and income statements from the most recent reporting period for the corporation, partnership, or principal parties involved with the proposed project.

**RESPONSE:** Lebanon Healthcare Partners LLC has not begun operations yet and has no income. As of February 25, 2013, the balance sheet of LHP is as follows:

<u>Assets</u>		<u>Liabilities</u>
Cash	\$19,947	-0-
Certificate of Need	\$99,973	

The applicant indicated in the project Surgery Center of Lebanon CN0906-036, Specialty Surgery Centers of America, Inc. will have an ownership of 20% following CON approval. If so, please provide the above mentioned financial documents for that entity.

**RESPONSE:** Specialty Surgery Centers of America, Inc.'s organizational structure is attached. SSCA's balance sheet only shows the investment cost in each of the entities that it has investments in and does not show a market value of the entities. SSCA has no debt, had income for its owners in excess of \$250,000 last year, and has enough liquidity to fund the entire project itself.

**25. Section C. Orderly Development, Item 9 and 10**

The applicant has responded "not applicable" to questions 9 and 10. Please indicate the applicant has researched the elements of these two questions relative to any entities or person with more than 5% ownership interest in the applicant or professional licenses held by the applicant. Please respond and submit a replacement page.

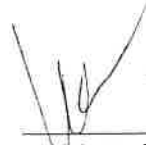
**RESPONSE:** Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing. The requested replacement page is attached.

Mr. Phillip M. Earhart  
February 27, 2013

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**SUPPLEMENTAL- # 1**  
**February 27, 2013**  
**4:19pm**

Sincerely,

A handwritten signature in black ink, appearing to be 'KB', written over a horizontal line.

Keith Bolton

Contact Person for Certificate of Need  
Application CN1302-003  
Surgery Center of Lebanon

Attachments



**February 27, 2013**  
**4:19pm**

February 19, 2013

**RE: New Ambulatory Surgery Center in Lebanon, Tennessee**  
**For Lebanon Healthcare Partners, LLC**  
**ProjX Project No. 121004**

To Whom it May Concern:

I am an Architect, licensed in the State of Tennessee. My Architecture License number is 14946.

I designed the attached floor plan for the Ambulatory Surgery Center to be built in Lebanon, Tennessee. Total building size is 9,300 s.f. excluding canopies.

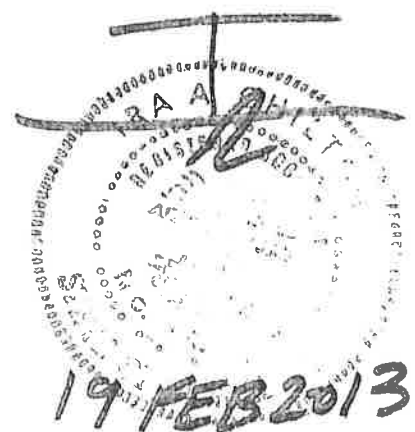
Final construction documents will conform to all codes as listed with the City of Lebanon and the State of Tennessee including:

- 2006 International Building Code
- 2006 International Plumbing Code
- 2006 International Mechanical Code
- 2002 National Electrical Code.
- 2006 International Fire Code
- 2006 International Fuel Gas Code
- 2006 International Existing Building Code
- 2002 North Carolina Handicap Code with 2004 Revisions
- Americans with Disabilities Act (ADA) with 2002 Amendments.
- 2006 Life Safety Code
- 2006 International Energy Conservation Code
- 2010 AIA Guidelines for Design and Construction of Health Care Facilities.
- 2003 ASHRAE Handbook of Fundamentals.

Our estimate of probable cost is \$220 per square foot.

With you in a Spirit of Service,

Ira A. Chilton, NCARB  
TN Architecture License #14946





# FIRST FARMERS

Lebanon Healthcare Partners

Term Sheet

February 6, 2013

<b>Borrower:</b>	Lebanon Healthcare Partners
<b>Guarantors:</b>	All owners at 125% of their pro-rata % ownership
<b>Credit Facility:</b>	(A) \$1,125,000 Equipment and Furniture Line and Term Financing
	(B) \$ 350,000 working capital Line
<b>Collateral:</b>	(A) 1 <sup>st</sup> Lien on all equipment and furniture
	(B) 1 <sup>st</sup> Lien on Account Receivable and Inventory
<b>Terms:</b>	(A) 6 months interest only converting to a 7 year Amortization of principle and interest monthly
	(B) 75% advance against approved accounts receivables And 50% advance against inventory. Line to be approved Annually
<b>Rate:</b>	(A) 4.5% fixed
	(B) Prime + 1%
<b>Commitment Fee:</b>	1% on each facility
<b>Prepayment Penalty:</b>	1% if refinanced by another financial institution
<b>Covenants:</b>	Annual financial information as requested by Bank from Borrower and guarantors. Monthly A/R aging, inventory Listing, and borrowing base certificates. DSC of 1.1X for Year one and 1.25X thereafter. All collateral is cross-Pledged and cross-defaulted
<b>Closing Cost:</b>	Paid by Borrower

This is not a commitment to lend money. All terms and conditions are subject to change and credit approval. This term sheet is for discussion purposes only.

2-26-13

*C. H. Howard*  
Williamson County President  
for Richard S. (Dick) Sevier

February 27, 2013

4:19pm

AFFIDAVIT


2013 FEB 27 PM 3 20

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Surgery Center of Lebanon

I, KEITH BOLTON, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

  
\_\_\_\_\_  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 27th day of February, 2013, witness my hand at office in the County of Davidson, State of Tennessee.

  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires:

5/5/15

# **Copy**

**Additional Information for  
Supplemental #1**

**Surgery Center of Lebanon**

**CN1302-003**

February 28, 2013

4:27pm

2013 FEB 28 PM 4 27

February 28, 2013

Mr. Phillip M. Earhart  
Health Planner III  
Tennessee Health Services and Development Agency  
111 Rosa L. Parks Boulevard  
Nashville, TN 37219

Via Hand Delivery

Re: Additional Supplemental Information Requests regarding Certificate of Need  
Application CN1302-003 - Surgery Center of Lebanon

Dear Mr. Earhart:

Today, you raised with us two additional issues for which you seek additional information regarding your request for supplemental information in No. 20 and request for supplemental information No. 23.

With regard to No. 20, we have recalculated the average gross charge, average deduction and average net revenue per case, based on your comments. The correct figures are as set forth below:

Average Gross Charge:	\$1,825
Average Contractual Adjustment per case:	\$ 617
Average Net Revenue per case:	\$1,208

With regard to the question you raised as to request for supplemental information No. 23, we clarify our original response as follows. The references we made in the application in response to Item 9, Section C, Economic Feasibility, was that our anticipated utilization of Medicare would be 35% of all patient visits, but 19% of actual total revenue in the first year can be explained. The reference to 35% is that the Surgery Center of Lebanon anticipates that 35% of its patients will be Medicare patients. However, the reference to "19% of total actual revenue in the first year" refers to the applicant's expectation that 19% of its "net operating revenue" as set forth on the Projected Data Chart will be approximately \$552,105. It is this amount of actual net operating revenue that the applicant projects will be attributable to Medicare. In our responses to your request for supplemental information on this issue, we were responding to a question regarding what amount of Lebanon Surgery Center's gross revenue would be anticipated to be Medicare revenue. That figure in our supplemental response is given as \$1,535,927, but the correct figure is \$1,535,937. The same is true in our supplemental response regarding TennCare projected amount of gross charges. Those are accurately set forth in our supplemental response as \$658,259. As noted, these figures are the anticipated figures for actual net operating revenues from these payors in the first year of operations.

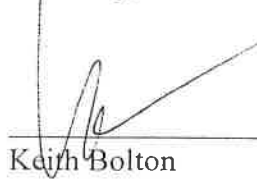
Mr. Phillip M. Earhart  
February 28, 2013

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**SUPPLEMENTAL- # 1**  
**February 28, 2013**  
**4:27pm**

If you have any additional questions, please advise. I have attached an affidavit with this letter.

Sincerely,



---

Keith Bolton

Contact Person for Certificate of Need  
Application CN1302-003  
Surgery Center of Lebanon

Attachment

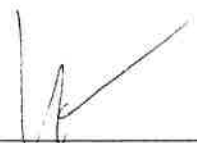
AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Surgery Center of Lebanon

I, KEITH BOLTON, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

  
\_\_\_\_\_  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28th day of February, 2013, witness my hand at office in the County of Davidson, State of Tennessee.

  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires:

5/5/15

HEALTH SERVICES AND DEVELOPMENT AGENCY  
MAY 22, 2013  
APPLICATION SUMMARY

NAME OF PROJECT: Surgery Center of Lebanon

PROJECT NUMBER: CN1302-003

ADDRESS: Unaddressed site located on the east side of Blair Lane, near the intersection of Blair Lane and Monument Lane  
Lebanon (Wilson County), Tennessee 37087

LEGAL OWNER: Lebanon Healthcare Partners, LLC  
102 Hartman Drive, Suite G  
Lebanon (Wilson County), Tennessee 37087

OPERATING ENTITY: Specialty Surgery Centers of America, Inc.  
9206 Concord Road  
Brentwood, Tennessee 37027

CONTACT PERSON: Keith Bolton  
(931) 801-2558

DATE FILED: February 14, 2013

PROJECT COST: \$ 2,212,467

FINANCING: Commercial Loan

PURPOSE OF REVIEW: The relocation of a previously approved a Multi-Specialty Ambulatory Surgical Treatment Center (ASTC), CN0906-036A

DESCRIPTION:

Surgery Center of Lebanon is seeking approval for the relocation of an approved but unimplemented Certificate of Need (CON) for a multi-specialty ambulatory surgical treatment center (ASTC) from its originally approved site at 101 Physicians Way, Lebanon (Wilson County), TN to a new unaddressed site located on the east side of Blair Lane in Lebanon (Wilson County), TN. The surgery center will be a venture comprised of an LLC whose members are local

Surgery Center of Lebanon  
CN1302-003  
May 22, 2013  
Page 1

physicians and Brentwood, Tennessee based Specialty Surgery Centers of America, Inc. Specialties to initially be offered include orthopedics, pain management, ENT (Ear, Nose, and Throat), general surgery and plastic surgery.

### CRITERIA AND STANDARDS REVIEW

#### GENERAL CRITERIA FOR CERTIFICATION OF NEED

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Commission may consider, in addition to the foregoing factors, the following factors:

**(a) Need.** The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

*The applicant states the new proposed ASTC site is convenient to Highway 70 in Lebanon, Interstate 40 and Route 840. The applicant indicates the developer of the formerly approved ASTC site (CN0702-011A) experienced financing issues that adversely impacted the completion of the project.*

*It appears that this criterion has been met.*

**(b) Economic factors.** The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

*The applicant states the new proposed location will provide easy access to the population to be served by being in close proximity to major roadways. In addition, the applicant indicates all three TennCare MCOs in the proposed service area will be contracted.*

*It appears that this criterion has been met.*

**(c) Contribution to the orderly development of health care facilities and/or services.** The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.



*The applicant does not foresee any delays in the proposed ASTC. Lebanon Healthcare Partners will develop and own the property (1.6 acres) and facility by investing in a related company, SSCA Real Estate Investors of Lebanon, LLC.*

*It appears that this criterion has been met.*

### **SUMMARY:**

The new free standing ASTC will be Medicare certified with three (3) operating rooms and one (1) procedure room. The ASTC will be located in a single-story building which the applicant states will allow more accessibility to ambulatory and wheelchair dependent patients. If approved, the proposed ASTC relocation project is expected to be completed in fifteen (15) months. The next two paragraphs provide background and historical information relative to this Certificate of Need application.

### ***Background Information***

In 2007, University Medical Center, with the support of its medical staff, filed a Certificate of Need application (CN0702-011A) to relocate and replace with expansion its existing one (1) operating room, (one) 1 procedure room ASTC, citing facility inefficiencies as one of the reasons for submitting the CON. The new replacement ASTC was to be a modern facility with three (3) operating rooms and two (2) procedure rooms. This state of the art facility was to be joint ventured with physician investors from UMC medical staff. The Certificate of Need (CN0702-011A) for the new facility was approved in May 2007 and construction was to begin in March 2008 with a completion date of January 1, 2009. According to the applicant, sometime in between the award of the CON and initiation of the construction of the project, UMC changed its business plans and tried to complete a joint venture of the entire hospital. Investors in the proposed ASTC syndication had their checks returned. The proposed joint venture of the hospital subsequently failed, and the ASTC's Certificate of Need was set to expire on July 1, 2009. UMC was granted a modification to the ASTC's CON at the June 20, 2009 Agency meeting, extending its expiration date to July 1, 2010. UMC's Certificate of Need CN0702-011A expired July 1, 2010 and was never implemented.

After the physicians were refunded their money from the ASTC syndication, they began to explore other options for providing the necessary outpatient surgery services to patients in the service area. On April 28, 2010 a CON, CN0906-036A, was granted by the Agency to the applicant, Lebanon Healthcare Partners, LLC for an ASTC located near the Hartmann Drive and I-40 intersection in Lebanon, TN. University Medical Center appealed the approval

**Surgery Center of Lebanon**

**CN1302-003**

**May 22, 2013**

**Page 3**

of the CON, and voluntarily dismissed its appeal after (9) months; which extended the expiration date of the CON to March 14, 2013. The applicant then attempted to complete CN0906-036A but the developers of the proposed building which was to house the project ran into financial difficulties. A six-month extension was granted at the February 27, 2013 Agency meeting extending the project expiration date from March 14, 2013 to October 14, 2013. In addition, the applicant has also filed this application (CN1302-003) to relocate the same previously approved ASTC (CN0906-036A) to Blair Lane, Lebanon, TN.

Lebanon Healthcare Partners, LLC, d/b/a Surgery Center of Lebanon, is a physician owned Tennessee Limited Liability Corporation organized May 15, 1999. The applicant indicates it is expected the proposed project management entity, Specialty Surgery Centers of America, Inc., will have an ownership interest of approximately 20% following CON approval. Specialty Surgery Centers of America, Inc. (SSCA) is a for-profit corporation headquartered in Brentwood, Tennessee. Keith Bolton is the sole owner of SSCA, which has ownership interest and provides management services to two (2) multi-disciplinary ambulatory surgical treatment centers within Tennessee: Surgery Center of Columbia in Columbia (Maury County), TN and Clarksville Surgery Center in Clarksville (Montgomery County), TN.

Specialties to initially be represented in the ASTC include Orthopedics, Pain Management, ENT, General Surgery, and Plastic Surgery. The applicant is expected to deliver the following types of pain management procedures: radiofrequency discectomies, epidural injections, and facet injections. The following table breaks out the total number of procedures and physicians that will be assigned to each specialty category.

<b>Specialty</b>	<b>Total Cases In Year One</b>	<b>Estimated # of Staff Physicians</b>
Orthopedics	1,155	5
Pain Management	265	2
ENT	287	2
General Surgery	225	8
Plastic Surgery	95	1
Other	378	4
<b>Total</b>	<b>2,405</b>	<b>14</b>

In the supplemental response, the applicant indicated specialties such as gynecology, podiatry and urology may be added to the ASTC after opening if there is a demand in the market.

The applicant's proposed service area is anticipated to incorporate Wilson, Macon, and Trousdale Counties. The service area was selected based on the historical patient origins of the physicians involved with this project. Approximately 54% percent of their patients are from Wilson County, 14% percent from Macon County and 10% from Trousdale County.

According to the Tennessee Department of Health's Division of Health Statistics, the service area currently has a 2013 population of 147,961 which is estimated to grow 5.3% to 155,756 persons by 2017.

According to the Department of Health, there are four (4) ASTCs in the defined service area: three (3) single specialty ASTCs (ophthalmology, gastroenterology (GI), and orthopedic with pain management) facilities and one (1) multi-specialty ASTC. Macon and Trousdale Counties do not have any ASTCs. All four ASTCs are in the most populated county of the service area: Wilson County. As indicated by the following table, there was only one ASTC located in the proposed service area that exceeded the Guidelines for Growth standard of 800 annual cases/room. The single-specialty, Lebanon Endoscopy Center with two procedures rooms, operated at 162% operating efficiency. In contrast, the Multi-Specialty, Lebanon Surgical Center with one operating room and 1 procedure room, operated at 4.3% operating efficiency in 2011 experiencing a -311% decrease from 284 surgical cases in 2009 to 69 surgical cases in 2011. In 2011, 47 of the 69 patients, or 68% of Lebanon Surgical Center's patients received plastic surgery services. Overall, single specialty ASTC's in the service area performed at 83.1% capacity and multi-specialty ASTCs performed at 4.3% of capacity.

**Proposed Service Area ASTC Utilization Trends  
2009-2011**

Type	Facility	County	Operating/ Procedure Rooms	2009 Cases	2010 Cases	2011 Cases	2011 % Utilization vs. 800 Annual Procedures/Room Standard*
Single Specialty (Eye)	Wilson Co. Eye Surgery Center	Wilson	2 1 OR 1 PR	1,314	1,978	1,466	91.6%
Single Specialty (GI)	Lebanon Endoscopy Center	Wilson	2 Total 2 PR	2,637	3,051	2,598	162%
Single Specialty (Orthopedic & Pain Mgmt for Practice only)	*Providence Surgery Center formerly TN Sports Medicine Surgery Ctr.	Wilson	3 2 OR 1 PR	84	1,283	589	24.5%
<b>Single Specialty Total</b>	<b>3</b>		<b>7 3 OR 4 PR</b>	<b>4,035</b>	<b>6,312</b>	<b>4,653</b>	<b>83.1%</b>
Multi Specialty	Lebanon Surgical Center	Wilson	2 Total 1 OR 1 PR	284	164	69	4.3%
<b>Multi Specialty Total</b>	<b>1</b>		<b>2 1 OR 1 PR</b>	<b>284</b>	<b>164</b>	<b>69</b>	<b>4.3%</b>

\*Based on 800 procedures per room per year

Source: TN Department of Health, Joint Annual Report for ASTCs, 2009, 2010 & 2011

\*Providence Surgery Center's Joint Annual Reports for years 2009-2011 were not posted until April 8, 2013 and are not reflected in the application.

The hospitals in the service also offer outpatient surgery services. There are no standards regarding hospital operating room utilization. For informational purposes, the area hospitals' operating room capacities and outpatient surgical utilization are provided below:

**Proposed Service Area Hospital Surgery Utilization Trends  
2009-2011**

Hospital	County	2009 Procedures	2010 Procedures	2011 Procedures	2009-2011 % Change
University Medical Center	Wilson	5,287 Encounters	5,147 Encounters	5,212 Encounters	-1.4%
Macon Co. Gen. Hospital	Macon	218 Encounters	337 Encounters	697 Encounters	+219%
Trousdale Medical Center	Trousdale	154 Encounters	21 Encounters	0 Encounters	N/A
<b>Total</b>		<b>5,659</b>	<b>5,505</b>	<b>5,909</b>	<b>4.4%</b>

Source: TN Department of Health, Joint Annual Report for Hospitals, 2009, 2010 & 2011

The applicant indicates some of the partners in Lebanon Healthcare Partners will develop and own the property (1.6 acres) and facility by investing in a related company, SSCA Real Estate Investors of Lebanon, LLC. The Surgery Center will

**Surgery Center of Lebanon  
CN1302-003  
May 22, 2013  
Page 6**

lease space from the SSCA Real Estate Investors on a five year lease with four options to extend the lease another 5 years. All the construction costs for the facility will be the responsibility of the landlord.

The applicant stipulates the design and construction of the proposed facility will meet all applicable federal, state and local standards, codes and regulations, including the 2010 AIA Guidelines for Design and Construction of Health Care Facilities. The proposed project involves approximately 9,300 sq. ft. of new construction. The applicant estimates the cost of construction to be approximately \$220.00 per square foot. The projected cost per square foot is between the 1st quartile cost of \$200.00/sq. ft. and the median cost of \$252.74/sq. for new Ambulatory Surgical Treatment Center projects between 2009 and 2011.

The projected 2,405 procedures will produce Gross Operating Revenues (GOR) of \$4,388,391 in the first year of operation, growing to 3,650 procedures and \$6,124,673 GOR in year two. Deductions from Operating Revenue of 34% will reduce the Net Operating Revenue (NOR) to \$2,905,816 in the first year and \$4,070,395 in the second year. Charity Care and Bad Debts are budgeted at 4.3% within the Deductions from Revenue estimates. Net Operating Income of \$473,861 is projected in the first year, while \$715,756 in Net Operating Income is estimated in the second year. Annual Capital Expenditures of \$163,247 will reduce the first year's projected Net Operating Income Less the Capital Expenditures to 310,614. Similar charges for Annual Capital Expenditures in the second year will produce Net Operating Income Less Capital Expenditures of \$527,731. Management fees will be paid at the rate of 6% of net (cash).

The applicant anticipates staffing the proposed ASTC initially with six (6) registered nurses, four (4) scrub techs and 3-4 LPNs. The applicant intends to be licensed by the Tennessee Department of Health's Board for Licensing Health Care Facilities and will seek accreditation with the Accreditation Association for Ambulatory Healthcare (AAAHHC).

The project's Medicare and TennCare gross revenues are projected at \$1,535,937 (19%) and \$658,259 (10.1%), respectively. The applicant anticipates participating in all three TennCare MCOs operating in the services area: AmeriChoice, AmeriGroup and TennCare Select. All of the physicians currently associated with the applicant and SSCA are participants in all three TennCare plans. The average gross charge is \$1,825/case. The Average Net Charge is estimated to be \$1,208/case.

The cost of the project for CON purposes is projected to be \$2,212,467. Of this total amount, \$930,000 is for the facility; \$75,000 for Architectural and Engineering Fees, \$1,125,000 is for moveable equipment; \$52,500 is for Reserve

**Surgery Center of Lebanon**

**CN1302-003**

**May 22, 2013**

**Page 7**

for One Year's Debt Service; and the remaining \$29,967 being for legal, administrative and consulting fees, and CON filing fees.

The applicant indicates the proposed project will be financed with a commercial loan. A term sheet dated February 6, 2013 from First Farmers and Merchants Bank indicates interest in providing the applicant a \$1,125,000 loan and a \$350,000 working capital line.

*The applicant has submitted the required corporate documentation, real estate option to lease and management agreement. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency's office.*

Should the Agency vote to approve this project, the CON would expire in two years.

#### **CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:**

There are no other Letters of Intent, denied or pending applications for this applicant.

#### **Outstanding Certificates of Need:**

**Surgery Center of Lebanon, CN0906-036A**, has an outstanding Certificate of Need that will expire on October 14, 2013. The CON was approved at the April 28, 2010 Agency meeting for the establishment of an ambulatory surgical treatment center (ASTC) with three (3) operating rooms and one (1) procedure room. The estimated project cost is **\$4,376,825.00**. University Medical Center appealed the approval of the CON, and voluntarily dismissed its appeal after (9) months; which extended the expiration date of the CON to March 14, 2013. *Project Status Report: A request under General Counsel's Report, for a six month extension of the expiration date from March 14, 2013 to October 14, 2013 was granted by the Agency at the February 27, 2013 Agency meeting, for the purpose of filing the proposed project CN1302-003.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied applications, pending applications or Outstanding Certificates of Need for other service area facilities providing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME  
(4-8-13)

## LETTER OF INTENT





2013 FEB -8 AM 11: 58

## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the The Lebanon Democrat which is a newspaper  
of general circulation in Wilson County, Tennessee, on or before February 9, 2013  
(County) (Name of Newspaper) (Month / day) (Year)  
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

Surgery Center of Lebanon

(Name of Applicant)

N/A

(Facility Type-Existing)

owned by: Lebanon Healthcare Partners, LLC with an ownership type of limited liability company  
and to be managed by: Specialty Surgery Centers of America, Inc. intends to file an application for a Certificate of Need  
for [PROJECT DESCRIPTION BEGINS HERE]:

The relocation of an approved but unimplemented certificate of need for a multi-specialty surgery center. The proposed facility previously approved under CON CN0906-036 will be relocated from its original approved site at 101 Physicians Way, Lebanon (Wilson County), TN 37087 to a new unaddressed site located on the east side of Blair Lane in Lebanon, Wilson County, Tennessee, 37087. The new, unaddressed site is approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, and approximately 200 yards south of the intersection of Blair Lane and Monument Lane in Lebanon. As with the originally approved CON application, this ASTC will include three operating rooms and one procedure room, as well as requisite clinical and support space, including 12 pre-operation and post-operation bed spaces. The projected square footage for this project is approximately 9,300 square feet. The estimated project costs are approximately \$2,300,000.

The anticipated date of filing the application is: February 14, 2013

The contact person for this project is Keith Bolton

(Contact Name)

CEO

(Title)

who may be reached at: Specialty Surgery Centers of America, Inc.

(Company Name)

9206 Concord Road

(Address)

Brentwood

(City)

TN

(State)

37027

(Zip Code)

931-801-2558

(Area Code / Phone Number)

William West  
(Signature)

2/8/2013  
(Date)

sscakeith@bellsouth.net  
(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency  
The Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**ORIGINAL**  
**APPLICATION**

1. Name of Facility, Agency, or Institution

2013 FEB 14 PM 2 53

Surgery Center of Lebanon

Name

unaddressed site located on the east side of Blair Lane, approximately 200 yards south of intersection of Blair Lane and Monument Lane

Street or Route

Lebanon

City

TN

State

Wilson

County

37087

Zip Code

2. Contact Person Available for Responses to Questions

Keith Bolton

Name

CEO

Title

Specialty Surgery Centers of America, Inc.

Company Name

sscakeith@bellsouth.net

Email address

9206 Concord Road

Street or Route

Brentwood TN

City State

37027

Zip Code

CEO of Management Entity

Association with Owner

931/801-2558

Phone Number

615/371-6778

Fax Number

3. Owner of the Facility, Agency or Institution

Lebanon Healthcare Partners, LLC

Name

102 Hartman Drive, Suite G

Street or Route

Lebanon

City

TN

State

Phone Number

Wilson

County

37087

Zip Code

4. Type of Ownership or Control (Check One)

A. Sole Proprietorship \_\_\_\_\_

B. Partnership \_\_\_\_\_

C. Limited Partnership \_\_\_\_\_

D. Corporation (For Profit) \_\_\_\_\_

E. Corporation (Not-for-Profit) \_\_\_\_\_

F. Government (State of TN  
or Political Subdivision) \_\_\_\_\_

G. Joint Venture \_\_\_\_\_

H. Limited Liability Company ☒

I. Other (Specify) \_\_\_\_\_

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

Response: Please see organizational documents included as Attachment A-4.

February 27, 2013  
4:19pm

5. Name of Management/Operating Entity (If Applicable)

Specialty Surgery Centers of America, Inc.

Name

9206 Concord Road

Street or Route

Brentwood

City

TN

State

Williamson

County

37027

Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. Legal Interest in the Site of the Institution (Check One)

- A. Ownership \_\_\_\_\_
- B. Option to Purchase \_\_\_\_\_
- C. Lease of 5 Years X
- D. Option to Lease \_\_\_\_\_
- E. Other (Specify) \_\_\_\_\_

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

**Response:** Please see corporate documents attached as Attachment A-6.

7. Type of Institution (Check as appropriate--more than one response may apply)

- |  |  |
|--|--|
| A. Hospital (Specify) _____  | I. Nursing Home _____                        |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty <u>X</u> | J. Outpatient Diagnostic Center _____        |
| C. ASTC, Single Specialty _____  | K. Recuperation Center _____                 |
| D. Home Health Agency _____  | L. Rehabilitation Facility _____             |
| E. Hospice _____   | M. Residential Hospice _____                 |
| F. Mental Health Hospital _____  | N. Non-Residential Methadone Facility _____  |
| G. Mental Health Residential Treatment Facility _____                    | O. Birthing Center _____                     |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) _____ | P. Other Outpatient Facility (Specify) _____ |
|  | Q. Other (Specify) _____                     |

8. Purpose of Review (Check) as appropriate--more than one response may apply)

- |                                   |          |                                 |          |
|-----------------------------------|----------|---------------------------------|----------|
| A. New Institution                | <u>X</u> | H. Change in Bed Complement     | _____    |
| B. Replacement/Existing Facility  | _____    | [Please note the type of change |          |
| C. Modification/Existing Facility | _____    | by underlining the appropriate  |          |
| D. Initiation of Health Care      |          | response: Increase, Decrease,   |          |
| Service as defined in             |          | Designation, Distribution,      |          |
| TCA § 68-11-1607(4)               | _____    | Conversion, Relocation]         |          |
| E. (Specify) _____                |          | I. Change of Location           | <u>X</u> |
| F. Discontinuance of OB Services  | _____    | J. Other (Specify) _____        | _____    |
| G. Acquisition of Equipment       | _____    |                                 |          |

9. **Bed Complement Data** N/A

*Please indicate current and proposed distribution and certification of facility beds.*

	Current Beds Licensed	*CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	_____	_____	_____	_____	_____
P. ICF/MR	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
TOTAL	=====	=====	=====	=====	=====

\*CON-Beds approved but not yet in service

10. **Medicare Provider Number  
Certification Type**

To be applied for. \_\_\_\_\_

11. **Medicaid Provider Number  
Certification Type**

To be applied for. \_\_\_\_\_

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid? Yes**

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? Yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract. The applicant plans to contract with all area MCOs.**

**Response:** The three TennCare MCO's operating in the proposed service area are AmeriGroup, United Healthcare and TennCare Select. All current physicians associated with the project are contracted providers to each of these plans. .Specialty Surgery Centers

of America, Inc., the management company for the project, contracts with all three TennCare MCO's at its other center in Columbia, and anticipates piggybacking this surgery centers onto its other contracts.

*Discuss any out-of-network relationships in place with MCOs/BHOs in the area. NA*

**NOTE:** Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

## **SECTION B: PROJECT DESCRIPTION**

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

**Response:** The need for this CON application for the relocation of a previously-approved CON for the establishment of a multi-specialty ambulatory surgical treatment center ("ASTC") in Wilson County is clear from the history of this project, as well as that of other ASTC CON projects in Wilson County. The need for the establishment of this multi-specialty ASTC in Wilson County, with three operating rooms and a procedure room is clear.

In 2007, University Medical Center, the hospital located in Lebanon, Tennessee, with the support of its medical staff, filed a Certificate of Need application to relocate and expand its very limited, existing one operating room, one procedure room ASTC with a three operating room, two procedure room ASTC on its campus to be joint ventured with its physicians. Construction was to have begun in March 2008, with the project being completed January 1, 2009. Sometime in between, UMC changed business plans, and tried to complete a joint venture of the entire hospital. Investors in the surgery center syndication had their checks returned. The CON for this joint ASTC, CN0702-011, expired on July 1, 2010.

After the involved physicians were refunded their money from the ASTC syndication, several of them started exploring the options for meeting the proven need for an establishment of a multi-specialty freestanding ASTC service area. A CON, CN0906-036, for an ASTC located near the Hartmann Drive and I-40 intersection was granted by the HSDA to the applicant, Lebanon Healthcare Partners, LLC, on April 28, 2010. This CON was then appealed by the local hospital, University Medical Center. The appeal was dismissed early in 2011. The applicant then attempted to carry out the project, but the

developers of the proposed building which was to house the project ran into financial difficulties. Faced with the history of these difficulties at the original CN0906-036 site, the applicant has simultaneously asked for a six-month extension of CN0906-036, and filed this CON application to relocate this ASTC and to establish this ASTC on Blair Lane in Lebanon. The applicant proposes to build the Surgery Center of Lebanon, a three operating room, one procedure room multi-specialty Medicare-certified ambulatory surgery treatment center. The surgery center will be a venture comprised of an LLC whose members are local physicians and Brentwood, Tennessee-based Specialty Surgery Centers of America, Inc.

The service area for this project includes Wilson, Macon, and Trousdale Counties, based on the patient origin for the physicians associated with the proposed ASTC. The population for this service has continued to grow since 2010. Specialties to initially be represented include orthopedics, pain management, ENT, general surgery and plastic surgery.

Currently, there are three single specialty surgery centers in the service area, including the Wilson Eye Surgery Center (ophthalmology), Lebanon Endoscopy Center (GI), and Provident Surgery Center (orthopedics and pain management). In the three-county service area for 2011, reporting operating rooms averaged 999 procedures per room or approximately 25% above the *Guidelines for Growth* capacity standard, according to the Joint Annual Reports filed for these providers.

The Surgery Center of Lebanon is planned to be a 9,300 square foot facility. It will include 12 pre-op and recovery beds, and will have three (3) operating rooms, and one (1) procedure room. Located in a single-story building, it will be easily accessible to ambulatory and wheelchair dependent patients. Its geographic location, on the east side of Blair Lane in Lebanon, Tennessee, approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, makes it easily accessible to the public. The total cost of the project is estimated to be approximately \$2,207,500. The ASTC is expected to be completed approximately fifteen months after receiving approval.

The project is projected to perform 2,405 procedures in its first year, and 3,650 in its second. The applicant anticipates staffing of six RNs, four scrub techs and three to four LPNs. The physicians involved with the project and their surgery center management company have adequate capital resources to accomplish this project.

In summary, this project will meet a market need for outpatient surgery services that is not being met by current providers. By establishing a multi-specialty, free-standing ASTC, this project will meet a need that the HSDA has repeatedly found to exist for such a provider in Wilson County. There are currently no viable free-standing surgery centers available without limitations to these physicians in the service area. The utilization of existing facilities providing outpatient surgery is significantly greater than the standard set forth in the *Guidelines for Growth*. The establishment of this much needed ASTC will contribute to the orderly development of healthcare in the service area by providing cost-effective services in the least restrictive setting. The project is financial feasible. Its costs compare favorably to other recently approved ASTCs and the applicant expects to have a positive cash flow in year one of operations.

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

**Response:** Surgery Center of Lebanon is expected to be a 9,300 square foot state of the art multi specialty ambulatory surgery treatment center. It will be a new facility and result in the initiation of new services in the service area. It will have three Medicare certified operating rooms, one procedure room, and 12 pre and post-op beds. It will be a newly built, free standing surgery center located on an undeveloped property located at an unaddressed site located on the east side of Blair Lane, Lebanon, Wilson County, Tennessee. Some of the partners in Lebanon Healthcare Partners will develop and own the property (1.6 acres) and develop the facility (approximately 9300 sf) by investing in a related company, SSCA Real Estate Investors of Lebanon LLC. The Surgery Center will lease the space from the SSCA Real Estate Investors on a five year lease with four options to extend the lease another 5 years. All of the construction costs for the facility will be the responsibility of the landlord.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

**Response:** Lebanon Healthcare Partners has already received a Certificate of Need (CN0906-036) to develop a 3 OR, 1 Procedure Room ASTC at another site. It seeks to relocate the establishment of this ASTC to the site proposed herein. The need for the establishment of such a free-standing, multi-specialty ASTC in Wilson County is clear. This CON project will accomplish the establishment of this long-needed ASTC.





C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

**Response:** Not applicable.

D. Describe the need to change location or replace an existing facility.

**Response:** This project does not involve the relocation of an existing facility; rather, it involves the relocation of a previously-approved project for the establishment of a multi-specialty ASTC in Wilson County. The original business plan for Lebanon Healthcare Partners called for the ASTC to be located inside a to-be-built medical office building near the intersection of I-40 and South Hartman Drive. The property was to be built by a third-party developer, who had acquired the property in 2007. Due to a change in the economy and a devaluation of the property, the developers were not able to complete the project, necessitating the need for the applicant to seek to relocate the site for the establishment of this ASTC.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):
  - a. Describe the new equipment, including:
    1. Total cost; (As defined by Agency Rule).
    2. Expected useful life;

3. List of clinical applications to be provided; and
4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

**Response:** Not applicable.

2. For mobile major medical equipment:

- a. List all sites that will be served;
- b. Provide current and/or proposed schedule of operations;
- c. Provide the lease or contract cost.
- d. Provide the fair market value of the equipment; and
- e. List the owner for the equipment.

**Response:** Not applicable.

3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

**Response:** Not applicable.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which **must include:**

1. Size of site (*in acres*);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

***Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.***

**Response:** Please see attached copy of the plot plan included as Attachment B.III(A). The size of the site is approximately 1.6 acres.

(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

**Response:** The site is located on the east side of Blair Lane, approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

**Response:** Please see attached floor plan included as Attachment B.IV.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;

**Response:** Not applicable.

2. Proposed service area by County;

**Response:** Not applicable.

3. A parent or primary service provider;

**Response:** Not applicable.

4. Existing branches; and

**Response:** Not applicable.

5. Proposed branches.

**Response:** Not applicable.

### **SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

### **QUESTIONS** **NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

**Response:** Please see the criteria and responses for ambulatory service treatment centers included below:

### AMBULATORY SURGICAL TREATMENT CENTERS

1. The need for an ambulatory surgical treatment center shall be based upon the following assumptions:

- a. An operating room is available 250 days per year, 8 hours per day.

**Response:** Surgery Center of Lebanon will have three (3) operating rooms and one (1) procedure room available from 7:30 AM to 3:30 PM, Monday-Friday (except major holidays), 52 weeks per year.

- b. The average time per outpatient surgery case is 60 minutes.

**Response:** The average time per case is projected to be sixty (60) minutes or less.

- c. The average time for clean up and preparation between outpatient surgery cases is 30 minutes.

**Response:** The average time for clean up and preparation between cases is expected to be thirty (30) minutes or less.

- d. The capacity of a dedicated, outpatient, general-purpose operating room is 80% of full capacity. That equates to 800 cases per year.

**Response:** The applicant anticipates performing 601 cases per room the first year, increasing to over 900 cases per room the second year.

- e. Unstaffed operating rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

**Response:** All operating rooms are considered available and included in the inventory.

2. "Service Area" shall mean the county or counties represented by the applicant as the reasonable area to which the facility intends to provide services and/or in which the majority of its service recipients reside.

**Response:** The service area of this project is Wilson, Trousdale, and Macon counties. These counties represent greater than 75% of the origin of the project's patients.

3. The majority of the population of a service area for an ambulatory surgical treatment center should reside within 30 minutes travel time to the facility.

**Response:** The majority of the population in this service area will reside within 30 minutes travel time to the facility. Our location near U.S. Highway 70 in Lebanon will make access for the population in the service area easy.

4. All applicants should demonstrate the ability to perform a minimum of 800 operations and/or procedures per year per operating room and/or procedure room. This assumes 250 days x 4 surgeries/procedures x .80.

**Response:** Surgery Center of Lebanon is expected to perform 385 procedures per room in year 1 and 600 procedures per room in year 2.

5. A certificate of need (CON) proposal to establish a new ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center shall not be approved unless the existing ambulatory surgical services within the applicant's service area or within the applicant's facility are demonstrated to be currently utilized at 80% of service capacity. Notwithstanding the 80% need standard, the Health Facilities Commission may consider proposals for additional facilities or expanded services within an existing facility under the following conditions: proposals for facilities offering limited-specialty type programs or proposals for facilities where accessibility to surgical services is limited.

**Response:** The facilities in the service area report performing 999 cases per room on average in 2011, or 125% of the service capacity specified by the current state health plan.

6. A CON proposal to establish an ambulatory surgical treatment center or to extend existing services of an ambulatory surgical treatment must specify the number of projected surgical operating rooms to be designated for ambulatory surgical services.

**Response:** Surgery Center of Lebanon will have three operating rooms and one procedure room.

7. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following the completion of the proposed project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

**Response:** Projected utilization for the first eight quarters are:

Q 1	410
Q 2	540
Q 3	670
Q 4	785
Q 5	850
Q 6	900
Q 7	950

Q 8 950

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

**Response:** The application does not involve the change of site for an existing healthcare institution.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

**Response:** The applicant was formed for the purpose of establishing an ambulatory surgery treatment center.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

**Response:** Please see a map of the service area included as Attachment C-Need-3. As indicated on the map, the primary service area for this project is Wilson County, Trousdale County, and Macon County. This service area is based on the service areas of the physicians involved in the project. Approximately 54 percent of their patients are from Wilson County, 14% from Macon, and 10 from Trousdale County.

4. A. Describe the demographics of the population to be served by this proposal.

**Response:** Please see chart below.

## Population Projections, 2009-2020

	2010	2011	2012	2013	2014	2020	Growth 2009- 2010	Growth 2010- 2020
State	6,264,654	6,311,234	6,361,070	6,414,297	10,471,546	6,785,100	1.0%	8%
Service Area								
Wilson	111,199	112,787	114,437	116,150	127,396	127,396	1.7%	15%
Trousdale	8,154	8,215	8,287	8,359	8,443	8,942	1.2%	11%
Macon	22,746	22,974	23,208	23,452	23,706	25,112	1.2%	10%
Total	142,099	143,976	145,932	147,961	159,545	161,450	1.7%	15.5%

Source: Tennessee Population Projections 2000-2020, Tennessee Department of Health, Division of Health Statistics

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

**Response:** There are multiple population segments with special needs in the service area, including a high percentage of TennCare enrollees, a high percentage of non-ambulatory or semi-ambulatory patients, and many dependant on public transportation. To accommodate these patients, the Surgery Center of Lebanon will piggyback its management company's contacts with AmeriGroup, United Healthcare, and TennCare Select, providing access to the center for these patients and their physician providers; will build a one floor building; and build the facility near the intersection of U.S. Highway 70 (West Main Street) and Blair Road.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

**Response:** The existing certified services in the area include three single specialty surgery centers (one ophthalmology, one orthopaedic/pain management, and one GI), an outdated, dilapidated, seldom used hospital owned (one OR and one procedure room) surgery center, a hospital HOPD, and two hospitals providing outpatient surgery services.



One of the hospitals, Macon County General Hospital has one operating room that does both inpatient and outpatient surgery. There are no multi-specialty stand alone surgery centers in the service area that have properly sized operating rooms and facilities.

Please see the chart below which shows reported utilization of these existing facilities in the primary and secondary service areas, according to the filed JARs of these facilities.

### Reported Outpatient Surgery Utilization

<u>County</u>	<u>Facility</u>	<u>OR/PR</u>	<u>2009 Proc.</u>	<u>2010 Proc.</u>	<u>2011 Proc.</u>	<u>Procedures per room in 2011</u>
Wilson	Lebanon Endoscopy Center <sup>1</sup>	2	2827	3302	2767	1383.5
Wilson	Wilson County Eye Surgery Center <sup>2</sup>	2	3396	5428	1873	936.5
Wilson	Lebanon Surgical Center <sup>3</sup>	2	501	199	97	47.5
Wilson	University Medical Center	4	5287	5646	5518	1379.5
Macon	Macon County General Hospital	1	253	352	733	733
Trousdale	Trousdale Medical Center <sup>4</sup>	0	167	22	0	0
	<b>Total</b>	11	12431	14949	10988	999

Source: Tennessee Department of Health, Office of Health Statistics, Joint Annual Reports.

<sup>1</sup>Limited to endoscopy. Lebanon Endoscopy licensed 4/23/09.

<sup>2</sup>Limited to ophthalmology.

<sup>3</sup>Affiliated with University Medical Center.

<sup>4</sup>Formerly utilized a single room as both an operating room and a procedure room, until 2011.

Source: 2011 JAR

In 2007, CON #0702-016 was approved for University Medical Center to build an ASTC with three ORs and two procedure rooms for \$8.6 million. This CON expired on July 1, 2010, according to HSDA records. Originally, this was described as a multi specialty surgery center to be joint ventured with local physicians. Early in 2009, these plans were scrapped, and the hospital instead attempted to joint venture the entire hospital with its medical staff. When this did not fully develop, the hospital filed a request for an extension of the original project with the HSDA. However, this CON expired, as noted above, in July 2010. UMC then decommissioned four operating rooms in the hospital and relocated them to a new hospital outpatient department constructed in the hospital parking lot. This project did not change the capacity of outpatient operating rooms in the service area.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

**Response:** This project will be a new facility. Thus, it has no historical utilization. The applicant projects that it will experience 2,405 procedures in year 1 of operations, and 3,650 procedures in year 2 of operations.

## ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
  - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
  - The cost of any lease should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater.
  - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
  - For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

**Response:** Please see the project costs chart on the following page. A letter from Steve Powell, Principal, Powell Design Studio that supports the estimated construction costs is included as Attachment G Economic Feasibility-1.

## PROJECT COSTS CHART

2013 FEB 14 PM 2 53

A.	Construction and equipment acquired by purchase:	
1.	Architectural and Engineering Fees	\$75,000
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$25,000
3.	Acquisition of Site	
4.	Preparation of Site	
5.	Construction Costs	
6.	Contingency Fund	
7.	Fixed Equipment (Not included in Construction Contract)	
8.	Moveable Equipment (List all equipment over \$50,000)	\$1,125,000
9.	Other (Specify) _____	
B.	Acquisition by gift, donation, or lease:	
1.	Facility (inclusive of building and land)	930,000
2.	Building only	
3.	Land only	
4.	Equipment (Specify)	
5.	Other (Specify) _____	
C.	Financing Costs and Fees:	
1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	52,500
4.	Other (Specify) _____	
D.	Estimated Project Cost (A+B+C)	2,207,500
E.	CON Filing Fee	4,967
F.	Total Estimated Project Cost (D+E)	
	<b>TOTAL</b>	<b>\$2,212,467</b>

## 2. Identify the funding sources for this project.

- a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

- X   A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- C. General obligation bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting.
- D. Grants--Notification of intent form for grant application or notice of grant award; or
- E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- F. Other—Identify and document funding from all other sources.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

**Response:** Although this ASTC will be leased, the projected construction costs for its builder (\$220 per square foot) compare favorably with the costs of other recently approved ASTC CONs, as set forth below.

#### COMPARABLE ASTC CONSTRUCTION COSTS

Facility	CON Number	Cost Per Square Foot
Plateau Surgery Center	CN0804-025	\$160
Mid-State Endoscopy Center	CN0901-004	\$175
Specialty Care	CN0810-077	\$200
McCabe Eye Surgery Center	CN0807-042	\$250

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

**Response:** The applicant seeks to establish a new ASTC. Thus, it has no historical utilization data. Its projected data for the first two years of operation are set forth in the attached Projected Data Chart.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

**Response:** The average net revenue per patient for each specialty was obtained from the company's other institutions as follows:

*Orthopaedics	\$1,500
*ENT	\$1300
*Pain	\$450
*GYN	\$940
*General Surgery	\$1100

## HISTORICAL DATA CHART

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in \_\_\_\_\_ (Month). **Not Applicable.**

	Year <u>2013 FEB 14</u>	Year <u>2014 FEB 15</u>	Year <u>2015 FEB 16</u>
A. Utilization Data (Specify unit of measure)	_____	_____	_____
B. Revenue from Services to Patients			
1. Inpatient Services	\$ _____	\$ _____	\$ _____
2. Outpatient Services	_____	_____	_____
3. Emergency Services	_____	_____	_____
4. Other Operating Revenue	_____	_____	_____
(Specify) _____			
<b>Gross Operating Revenue</b>	\$ _____	\$ _____	\$ _____
C. Deductions for Operating Revenue			
1. Contractual Adjustments	\$ _____	\$ _____	\$ _____
2. Provision for Charity Care	_____	_____	_____
3. Provisions for Bad Debt	_____	_____	_____
<b>Total Deductions</b>	\$ _____	\$ _____	\$ _____
<b>NET OPERATING REVENUE</b>	\$ _____	\$ _____	\$ _____
D. Operating Expenses			
1. Salaries and Wages	\$ _____	\$ _____	\$ _____
2. Physician's Salaries and Wages	_____	_____	_____
3. Supplies	_____	_____	_____
4. Taxes	_____	_____	_____
5. Depreciation	_____	_____	_____
6. Rent	_____	_____	_____
7. Interest, other than Capital	_____	_____	_____
8. Other Expenses (Specify) _____	_____	_____	_____
<b>Total Operating Expenses</b>	\$ _____	\$ _____	\$ _____
E. Other Revenue (Expenses) – Net (Specify)	\$ _____	\$ _____	\$ _____
<b>NET OPERATING INCOME (LOSS)</b>			
F. Capital Expenditures			
1. Retirement of Principal	\$ _____	\$ _____	\$ _____
2. Interest	_____	_____	_____
<b>Total Capital Expenditures</b>	\$ _____	\$ _____	\$ _____
<b>NET OPERATING INCOME (LOSS)</b>			
<b>LESS CAPITAL EXPENDITURES</b>	\$ _____	\$ _____	\$ _____

February 27, 2013

4:19pm

## PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 1	Year 2
A. Utilization Data (Specify unit of measure) cases	<u>2,405</u>	<u>3,650</u>
B. Revenue from Services to Patients		
1. Inpatient Services	\$ <u>          </u>	\$ <u>          </u>
2. Outpatient Services	<u>4,388,391</u>	<u>6,124,673</u>
3. Emergency Services	<u>          </u>	<u>          </u>
4. Other Operating Revenue (Specify) <u>          </u>	<u>          </u>	<u>          </u>
<b>Gross Operating Revenue</b>	<b><u>\$4,388,391</u></b>	<b><u>\$6,124,673</u></b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$1,294,575</u>	<u>\$1,806,778</u>
2. Provision for Charity Care	<u>88,000</u>	<u>122,500</u>
3. Provisions for Bad Debt	<u>100,000</u>	<u>125,000</u>
<b>Total Deductions</b>	<b><u>\$1,482,575</u></b>	<b><u>\$2,054,278</u></b>
<b>NET OPERATING REVENUE</b>	<b><u>\$2,905,816</u></b>	<b><u>\$4,070,395</u></b>
D. Operating Expenses		
1. Salaries and Wages	<u>812,890</u>	<u>1,233,700</u>
2. Physician's Salaries and Wages	<u>          </u>	<u>          </u>
3. Supplies	<u>670,000</u>	<u>1,100,000</u>
4. Taxes	<u>          </u>	<u>          </u>
5. Depreciation	<u>160,715</u>	<u>160,715</u>
6. Rent	<u>186,000</u>	<u>186,000</u>
7. Interest, other than Capital	<u>          </u>	<u>          </u>
8. Management Fees:		
a. Fees to Affiliates	<u>174,350</u>	<u>244,224</u>
b. Fees to Non-Affiliates	<u>          </u>	<u>          </u>
9. Other Expenses (Specify) <u>Laundry, utilities, insurance, maintenance</u>	<u>428,000</u>	<u>430,000</u>
<b>Total Operating Expenses</b>	<b><u>\$2,431,955</u></b>	<b><u>\$3,354,639</u></b>
E. Other Revenue (Expenses) -- Net (Specify)	\$ <u>          </u>	\$ <u>          </u>
<b>NET OPERATING INCOME (LOSS)</b>	<b><u>\$473,861</u></b>	<b><u>\$715,756</u></b>
F. Capital Expenditures		
1. Retirement of Principal	<u>\$69,222</u>	<u>\$142,814</u>
2. Interest	<u>94,205</u>	<u>45,211</u>
<b>Total Capital Expenditures</b>	<b><u>\$163,247</u></b>	<b><u>\$188,025</u></b>
<b>NET OPERATING INCOME (LOSS)</b>		
<b>LESS CAPITAL EXPENDITURES</b>	<b><u>\$310,614</u></b>	<b><u>\$527,731</u></b>

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

**Response:** Projected charges for the anticipated top five procedures are as follows:

*Knee arthroscopy:	\$3515
*Ear Tubes	\$4560
Tonsil	\$2796
*Shoulder arthroscopy	\$3515
*Lap Tubal	\$3895

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

**Response:** The introduction of a multi specialty ambulatory surgery center to the community will result in significant savings to all payers and all patients. The introduction of these services to the service area will have a positive impact on reducing the cost of healthcare. Currently Medicare reimbursement for procedures performed at free-standing ASTCs is more than 40% lower than reimbursement for the same procedures in hospitals.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

**Response:** Unlike other projects, this is a project that was designed from the ground up. With flexible staffing and overhead, the project should achieve a positive cash flow in the first year of operations.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

**Response:** Lebanon Healthcare Partners, LLC will raise some \$250,000 in equity for initial start up and capitalization to reach break even. Although additional capital calls are not anticipated, a capital call on LLC members could be used on a worst case basis to continue to fund losses. It will also have access to a revolving credit line, and a term loan on its equipment.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.



**Response:** Surgery Center of Lebanon anticipates participating in Medicare and TennCare. All physicians in the project are TennCare providers, and all of Specialty Surgery Centers of America (the management company) surgery centers have contracted with all three TennCare MCOs.

Medicare utilization is expected to be 35% of all patient visits, is expected to produce 19% of total actual revenue in the first year, or approximately \$552,105. TennCare utilization is expected to be 15% of all patient visits, is expected to produce 10.1% of actual revenues, or approximately \$293,500.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

**Response:** This is a relatively new LLC with limited prior operations and no operating income to date.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

**Response:** Establishing a new, state of the art, multi specialty surgery center is the most cost effective method of providing services to patients in this service area. The CON previously approved withstood an appeal and a recession. Other than not completing the project, no alternatives to relocation are economically available. The possibility of acquiring an existing single-specialty center and converting it, via CON, to multi-specialty status was considered, but the costs were prohibitive and a CON would still be required.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

**Response:** There are no other multi specialty surgery centers in the service area that have adequate facilities. The cost of this relocation project compares favorably to the cost of this project as originally approved.

### (III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

**Response:** All of the physicians involved in this project are on staff at University Medical Center, and would seek to have a transfer agreement with the hospital, as well as working arrangements for laboratory, sharing of equipment, etc.

Surgery Center of Lebanon anticipates providing in the following managed care contracts that its management company has at other centers. This includes

Medicare

BlueCross

AmeriGroup

United Healthcare

TennCare Select

Aetna

Cigna

Humana

Private Healthcare Systems

Tri-Care

Etc.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

**Response:** The Surgery Center of Lebanon will have a positive impact on the medical community for multiple reasons. First, there is currently a need for 3-5 additional operating rooms in the service area. This was initially evidenced by the approval by the HSDA of University Medical Center's CON in July, 2007 as well as the prior CON for this project at its original site. Since then, only a small orthopedic only center has been developed, while population in the service area has continued to grow.

Secondly, there is a need for a free standing multi specialty surgery center that will provide needed cost competition to the market. Surgery Center of Lebanon will charge significantly less than local hospitals for the same procedures, and will be reimbursed significantly less, achieving significant savings for government payors, insurers, and patients.

Finally, this project will bring surgical services into a more accessible environment for all patients. Additional capacity will allow better scheduling of patients. Moreover, the location of this facility near Highway 70 in Lebanon will provide improved transportation access for outpatient surgery patients.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

**Response:** Surgery Center of Lebanon anticipates staffing the center initially with 6 registered nurses, 4 scrub techs, and 3-4 LPNs. Total FTEs are expected to be 18. Base rates for Registered Nurses is expected to be \$28-\$33 per hour. According to the website of the Tennessee Department of Labor and Workforce Development in the Metro Nashville MSA, which includes this service area, the RN median wage was \$28.90 per hour in 2012. The TDOLWFD website reports 2012 median wages for "Healthcare Support Workers, All Other" as \$14.60 per hour.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

**Response:** The applicant does not anticipate any difficulty in finding adequate staffing for the facility.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

**Response:** The Applicant has reviewed and understands all certifications as required by the State of Tennessee for medical/clinical staff.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

**Response:** The Center's Management Company has participated in training of scrub techs and nursing students in the past, and anticipates doing so in the future..

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

**Response:** The applicant has reviewed and understands the licensure requirements of the Department of Health and any applicable Medicare requirements.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

February 27, 2013

4:19pm

**Response:** The Tennessee Department of Health, Division of Licensing and Certification would issue our license. The applicant will seek early accreditation with the Accreditation Association for Ambulatory Healthcare (AAAHC).

If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

**Response:** Not applicable.

- (c) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

**Response:** Not applicable.

9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

**Response:** Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing.

10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

**Response:** Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing.

11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

**Response:** The applicant will provide the information as required.

### PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

**Response:** Please see attached [affidavit of] publication showing that publication occurred in The Lebanon.

### DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

**Response:** The applicant does not anticipate requesting an extension of time at this time.

Form HF0004  
Revised 05/03/04  
Previous Forms are obsolete

# LEBANON DEMOCRAT

## PUBLICATION CERTIFICATE

This is to certify that the legal notice hereto attached was published in  
*The Lebanon Democrat*, a daily newspaper published in the City of  
 Lebanon, County of Wilson, State of Tennessee on the following dates:

Signed: Alexander Ray

Feb. 9, 2013

Subscribed and sworn to before me

on this 14 day of Feb

ssion expires: 2-3-15

### Cost of Publication

\$ 200.00

### Proof of Publication

#### NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties in accordance with T.C.A. § 58-11-1601 et seq., and the Rules of the Health Services and Development Agency, that: Surgery Center of Lebanon, N/A owned by Lebanon Healthcare Partners, LLC with an ownership type of limited liability company and to be managed by Specialty Surgery Centers of America, Inc. intends to file an application for a Certificate of Need for

The relocation of an approved but unimplemented certificate of need for a multi-specialty surgery center. The proposed facility previously approved under CON CN0906-036 will be relocated from its original approved site at 101 Physicians Way, Lebanon (Wilson County), TN 37087 to a new unaddressed site located on the east side of Blair Lane in Lebanon, Wilson County, Tennessee 37087. The new, unaddressed site is approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, and approximately 200 yards south of the intersection of Blair Lane and Monument Lane in Lebanon. As with the originally approved CON application, this ASTC will include three operating rooms and one procedure room, as well as requisite clinical and support space, including 12 pre-operation and post-operation bed spaces. The projected square footage for this project is approximately 9,300 square feet. The estimated project costs are approximately \$2,300,000.

The anticipated date of filing the application is: February 14, 2013.

The contact person for this project is: Keith Bolton, CEO who may be reached at: Specialty Surgery Centers of America, Inc., 9206 Concord Road, Brentwood, TN 37027, 931-801-2558.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency

The Frost Building, Third Floor

161 Rosa L. Parks Boulevard

Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 58-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior

### PROJECT COMPLETION FORECAST CHART

2013 FEB 14 PM 2 53

Enter the Agency projected Initial Decision Date, as published in Rule 68-11-1609(c): May 22, 2013

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. Architectural and engineering contract signed	<u>10</u>	<u>June 2013</u>
2. Department of Health	<u>                    </u>	<u>                    </u>
3. Construction contract signed	<u>120</u>	<u>September 2013</u>
4. Building permit secured	<u>140</u>	<u>October 2013</u>
5. Site preparation completed	<u>200</u>	<u>December 2013</u>
6. Building construction commenced	<u>240</u>	<u>February 2014</u>
7. Construction 40% complete	<u>300</u>	<u>April 2014</u>
8. Construction 80% complete	<u>360</u>	<u>June 2014</u>
9. Construction 100% complete (approved for occupancy)	<u>420</u>	<u>September 2014</u>
10. *Issuance of license	<u>460</u>	<u>October 2014</u>
11. *Initiation of service	<u>460</u>	<u>October 2014</u>
12. Final Architectural Certification of Payment	<u>460</u>	<u>October 2014</u>
13. Final Project Report Form (HF0055)	<u>470</u>	<u>November 2014</u>

\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

**Note:** If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

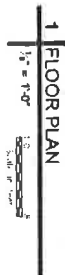
Lebanon 3 1-15-13



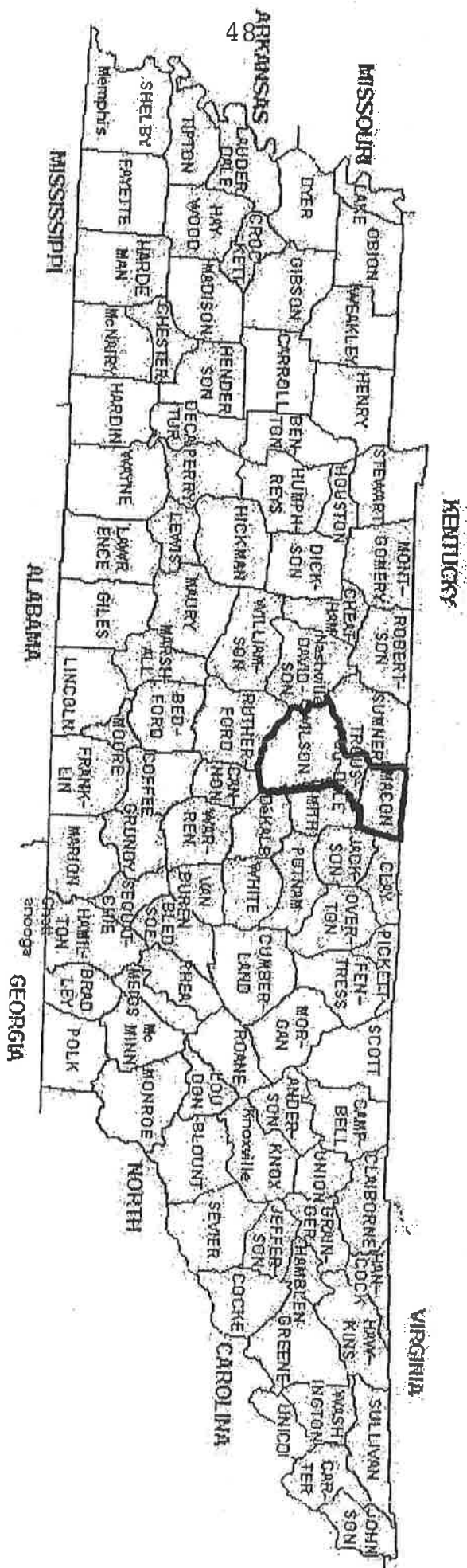
### **B.III.A. - Plot Plan**



## **B.IV. - Floor Plan**



### **C.3. - Service Area Map**



## **C. Economic Feasibility 1. - Construction Documentation**



1614 17<sup>th</sup> Ave South  
 Nashville, TN 37212  
 Office 615-277-1178  
 Fax 615-277-1179  
 www.projxllc.com

February 14, 2013

**RE: New Ambulatory Surgery Center in Lebanon, Tennessee  
 For Lebanon Healthcare Partners, LLC  
 ProjX Project No. 121004**

To Whom it May Concern:

I am an Architect, licensed in the State of Tennessee. My Architecture License number is 14946.


I designed the attached floor plan for the Ambulatory Surgery Center to be built in Lebanon, Tennessee. Total building size is 9,300 s.f. excluding canopies.

Final construction documents will conform to all codes as listed with the City of Lebanon and the State of Tennessee including:

- 2006 International Building Code
- 2006 International Plumbing Code
- 2006 International Mechanical Code
- 2002 National Electrical Code.
- 2006 International Fire Code
- 2006 International Fuel Gas Code
- 2006 International Existing Building Code
- 2002 North Carolina Handicap Code with 2004 Revisions
- Americans with Disabilities Act (ADA) with 2002 Amendments.
- 2006 Life Safety Code
- 2006 International Energy Conservation Code
- 2006 AIA Guidelines for Design and Construction of Health Care Facilities.
- 2003 ASHRAE Handbook of Fundamentals.

Our estimate of probable cost is \$220 per square foot.

With you in a Spirit of Service,

  
 Ira A. Chilton, NCARB  
 TN Architecture License #14946





# CARDIOVASCULAR ANESTHESIOLOGISTS, P.C.

Anesthesia and Intensive Care

NANCY J. DELBOY, M.D.  
LAWRENCE W. FREUND, D.O.  
PAUL A. MAZZONI, M.D.  
J. DAVID NETTERVILLE, M.D.

BRIAN J. POORE, M.D.  
KENNETH C. PETRONI, M.D.  
ROSCOE V. ROBINSON, M.D.  
JESSEE SCRUGGS, M.D.  
RICHARD C. TOMICHEK, M.D.

February 13, 2013

Mr. Keith Bolton  
Lebanon Healthcare Partners LLC  
9206 Concord Road  
Brentwood, TN 37027

Dear Mr. Bolton:

Thank you for your continued interest, support, and relationship with Cardiovascular Anesthesiologists, PC. As you know, we have enjoyed our relationship with you at some of your other surgery centers, and we look forward to our continued working relationship with you.

Pursuant to our discussion, CVA looks forward to providing anesthesia services at your new facility in Lebanon, known as Surgery Center of Lebanon. We would anticipate that this relationship would involve providing both MD anesthesiologists as well as CRNA's at that facility.

Please continue to keep us updated on the status of the project, and when we can expect to begin service.

Thank you again for your interest in CVA.

Sincerely,



Paul A. Mazzoni MD

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## AFFIDAVIT


STATE OF TENNESSEE

COUNTY OF DAVIDSON


KEITH BOLTON, being first duly sworn, says that he is the applicant named in this application or the lawful agent thereof, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

\_\_\_\_\_  
Signature/Title

Sworn to and subscribed before me this the 14th day of February, 2013, a Notary Public in and for the County of Davidson, State of Tennessee.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission expires 5/5/15



# **Copy**

## **Supplemental #1**

### **Surgery Center of Lebanon**

#### **CN1302-003**

2013 FEB 27 PM 3 19

February 27, 2013

Mr. Phillip M. Earhart  
Health Planner III  
Tennessee Health Services and Development Agency  
Suite 850  
Andrew Jackson Building  
Nashville, TN 37219

Via Hand Delivery

Re: Certificate of Need Application CN1302-003  
Surgery Center of Lebanon

Dear Mr. Earhart:

Set forth below are the responses of Surgery Center of Lebanon, the applicant in Certificate of Need Application CN1302-003 to the request for information dated February 20, 2013. We have filed these in triplicate, as you directed, along with an affidavit regarding the responses. If you have any questions or need additional information, please advise.

**1. Section A, Applicant Profile, Item 4**

Please describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

**RESPONSE:** An organizational chart for Specialty Surgery Centers of America, Inc. is attached as exhibit A. A manifest for Lebanon Healthcare Partners is also attached. All facilities (except for Lebanon Healthcare Partners) identified are currently licensed by the State of Tennessee and accredited either by AAAHC or JCAHO. The only healthcare institution as defined in this question that SSCA owns equity in currently is the Surgery Center of Columbia, 725 S. James Campbell Blvd., Columbia, TN 38401.

**2. Section A, Applicant Profile, Item 5**

The draft management agreement is noted. Please indicate the management fee payment methodology and schedule. Please describe the management entity's experience in providing

management services for the type of the proposed facility, which is the same or similar to the applicant facility. Please describe the structure of the management entity.

**RESPONSE:** Lebanon Healthcare Partners will be managed by Specialty Surgery Centers of America, Inc., a corporation. Management fees are to be paid at a rate of 6% of net (cash) revenues. Specialty Surgery Centers of America has owned and managed ambulatory surgery center for 20 years, including 12 at the Surgery Center of Columbia and 8 at the Clarksville Surgery Center. The executed signature page for the management agreement is attached.

**3. Section A, Applicant Profile, Item 6**

The draft lease agreement is noted. Please attach a fully executed option to lease agreement or other appropriate documentation. The option to lease agreement must include the actual/anticipated term of the agreement and actual/anticipated lease expense.

**RESPONSE:** An executed signature page for the lease is attached.

**4. Section A, Applicant Profile, Item 8**

Please specify under 8.E. purpose for review.

**RESPONSE:** This will be a new institution, as well as the relocation of a project previously approved by the HSDA. A revised 8.E. page is attached.

**5. Section B, Project Description, Item I.**

In the previously approved project Surgery Center of Lebanon, CN0906-036A, the applicant indicated many physicians, including those involved in Tennessee Sports Medicine and the Lebanon Endoscopy Center, have moved their practices and their surgical facilities south to the I-40 corridor to provide better access to their patients. It appears the applicant in this application is relocating north of Interstate 40 in Lebanon. Please clarify how this relocation will better meet the needs of patients in terms of access as identified in the previously approved project.

Please describe the type of pain management procedures that will be performed at the proposed ASTC site.

The applicant states specialties to initially be represented in the proposed project includes orthopedics, pain management, ENT, general and plastic surgery. Please complete the following table that breaks out the total number of procedures and physicians that will be assigned to each specialty category.

Specialty	Total Cases In Year One	Estimated # of Staff Physicians
Orthopedics		
Pain Management		

ENT		
General Surgery		
Plastic Surgery		
Other		
Total		

**RESPONSE:** The applicant has been unable to construct this project at its originally approved site due to the financial difficulties of the developer who was supposed to build the MOB which was to have housed this ASTC originally. The new location as set forth in this application is easily accessible; it is just off U.S. Highway 70 in Lebanon, as well as being in close proximity to I-40 and State Route 840 as shown herein.

Specialty	Total Cases In Year One	Estimated # of Staff Physicians
Orthopedics	1155	5
Pain Management	265	2
ENT	287	2
General Surgery	225	8
Plastic Surgery	95	1
Other	378	4
Total	2,405	14

The applicant to deliver the following types of pain management procedures: radiofrequency discectomies, epidural injections, and facet injections, among other types of procedures.

Please indicate if the applicant plans to add additional surgical specialties to the proposed project in the future. If so, what types?

**RESPONSE:** The applicant will seek to add gynecology, podiatry, urology after opening if the market demands.

**6. Section B, Item II B. (Project Description) (Plot Plan)**

Your response is noted. Please identify where the proposed ASTC structure will be located on the plot plan. Please indicate and resubmit.

**RESPONSE:** The requested documentation is attached hereto.

7. **Section B, Item III B. (1)**

Please indicate the distance of interstate 40 and 840 to the proposed site.

**RESPONSE:** According to Mapquest.com, this project's site is 3.5 miles from I-40 and 4.5 miles from 840.

8. **Section B. Item IV.**

Please submit a floor plan drawing which includes legible labeling of patient care rooms, ancillary areas, equipment areas, etc. on an 8 ½" x 11" sheet of white paper.

**RESPONSE:** The requested floor plan is attached.

9. **Section C, Need Item 1**

Please discuss how the proposed project will relate to the "5 Principles for Achieving Better Health found in the State Health Plan."

**RESPONSE:**

1. *"The purpose of the State Health Plan is to improve the health of Tennesseans."*

**RESPONSE:** This project will meet the stated goals of this principle. This project will provide convenient, economical ambulatory surgical services to the people of the service area of Wilson, Macon and Trousdale Counties.

2. *"Every citizen should have reasonable access to health care."*

**RESPONSE:** This project will improve the access to healthcare in the service area. Because it is close to one of the main thoroughfares through the service area, U.S. Highway 70, as well as being quickly available from Interstate 40 and Route 840, this project will assist in insuring that the citizens of the service area have reasonable access to healthcare.

Furthermore, this project will further assist in assuring reasonable access to healthcare because it will serve all enrollees of all three of the TennCare MCOs that serve the people of this service area.

3. *"The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's health care system."*

**RESPONSE:** This project be efficient in that it provides a newly established ambulatory surgical treatment center that is efficiently designed and that will be competitive in the market for ambulatory surgical services. This will be an independent ambulatory surgical treatment center, not one that is owned by, or related to, any hospital or hospital system.

4. *"Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers."*

**RESPONSE:** This project will meet the goals of this quality of care principle as set forth above, because it will be managed by an ambulatory surgical treatment center management company that has years of experience in monitoring and assuring that appropriate quality standards are met by the ASTCs that it has managed.

This project will be equitable because it will serve all of the enrollees of the area's three TennCare MCOs, as well as those individuals who have private insurance. It will be patient centered, timely and efficient because it is outpatient oriented and managed by an experienced management company. Its services will be safe and effective because they will be provided by experienced area surgeons whose own professional liability is on the line when they operate in this center.

5. *"The state should support the development, recruitment and retention of a sufficient and quality health care workforce."*

**RESPONSE:** This project will assist in developing, recruiting and retaining a high quality healthcare workforce. The management company which will manage this project has years of experience in recruitment and retention of a quality healthcare workforce in middle Tennessee, and will apply its experience and skills in this regard in this project.

**10. Section C, Need Item 1.b.**

Please provide an individual response to each of the following factors:

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the HSDA may consider, in addition to the foregoing factors, the following factors:

- (a) **Need.** The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

**RESPONSE:** The applicant asserts that the proposed new site for the establishment of this ASTC project will serve the healthcare needs of the service area at least as well as the original site. It is, as noted above, very convenient to U.S. Highway 70 in Lebanon, Wilson County, as well as being close to Interstate 40 and Route 840. It is necessary for the applicant to change the site for the establishment of this ASTC because of the problems the developer of the proposed former site ran into with financing and carrying out the medical office building project in which this project was originally proposed to be located.

- (b) **Economic factors.** The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.



**RESPONSE:** This project is as economically beneficial to the population to be served as the original site. The applicant will offer its services, just as before, to all enrollees of the three TennCare MCOs in the service area. The easy access of this site to U.S. Highway 70, and its proximity to Interstate 40 as well, will make access to the site very economical for residents of the service area.

- (c) **Contribution to the orderly development of health care facilities and/or services.** The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

**RESPONSE:** Because the original developer of the site was unable to complete construction of a medical office building which was to house this ASTC as originally proposed, this project will contribute to the orderly development of healthcare facilities in the area. This project, as proposed in this CON application, does not require the construction of a medical office building. It will be housed in a single purpose ASTC building of approximately 9,300 square feet, and it will have adequate parking and access to serve the needs of the service area. It will be much less expensive for the developer to complete than the original project, which required the completion of an MOB in which it was to be housed.

**11. Section C, Need Item 1 (Specific Criteria –ASTC Item 3)**

Please clarify the distance and driving time the proposed site is from Lebanon (Wilson County), Lafayette (Macon County) and Hartsville (Trousdale) County, TN.

**RESPONSE:** Per Mapquest.com, Lafayette, in Macon County, is 35 miles from the proposed site of this project. Driving time for these 35 miles is approximately 47 minutes. Hartsville, in Trousdale County, is 21 miles from the project's proposed site in Lebanon, with a driving time of approximately 29 minutes.

**12. Section C, Need Item 1 (Specific Criteria –ASTC Item 7)**

The projected utilization for the first 8 quarters of the project is noted. Please indicate if the utilization is projected in cases or procedures. If the utilization numbers are procedures, please project utilization in cases.

Please include the specific methodology used to project utilization for the first eight quarters of the proposed project.

**RESPONSE:** Utilization numbers are in cases. A revised Projected Data Chart is attached.

Please include the specific methodology used to project utilization for the first eight quarters of the proposed project.

These data were developed utilizing the historical experience of the manager in terms of the ramp up of caseload at new ASTCs, taking into account licensure, equipment purchases, managed care contracts, etc.

**13. Section C. Item 2**

Please indicate if there are any long-range development plans of the applicant beyond establishing an ambulatory surgery treatment center.

**RESPONSE:** The applicant has no long-range development plans beyond the development of the ASTC.

Does the applicant have in mind a group of anesthesiologists who would be interested and have the capability to provide anesthesia services to the ASTC? If so, please provide a letter of interest from the group which also described their willingness to provide services to TennCare beneficiaries.

**RESPONSE:** The requested documentation is attached hereto.

**14. Section C, Need Item 4 (Service Area Demographics)**

Please complete the following table for the service area population and demographics.

Demographic /Geographic Area	Macon County	Wilson County	Trousdale County	Service Area / Macon, Trousdale, Wilson County Total	State of TN Total
Total Population- Current Year -2013					
Total Population- Projected Year -2017					
Total Population-% change					
Age 65 & over Population - 2013					
Age 65 & over Population - 2017					
Age 65 & over Population - % change					
Age 65 & over Population as % of Total Population					
Median Household Income					
TennCare Enrollees					
TennCare Enrollees as % of Total					
Persons Below Poverty Level					

Persons Below Poverty Level as % of Total					
---	--	--	--	--	--

The Tennessee Department of Health's Population Projections 2010-2020 should be used for the population projections, the US Census Bureau and the State of Tennessee Bureau of TennCare websites will be helpful in gathering the other demographic statistics.

**RESPONSE:**

Demographic /Geographic Area	Macon County	Wilson County	Trousdale County	Service Area / Macon, Trousdale, Wilson County Total	State of TN Total
Total Population-Current Year -2013	23,452	116,150	8,359	147,961	6,414,297
Total Population-Projected Year -2017	24,408	122,658	8,090	155,756	6,623,114
Total Population-% change	4.04%	5.6%	3.96%	5.3%	3.25%
Age 65 & over Population - 2013	2,867	14,229	1,274	18,370	881,390
Age 65 & over Population - 2017	2,703	16,548	1,437	20,688	1,015,339
Age 65 & over Population - % change	6.1%	16.3%	12.83%	12.6%	15.2%
Age 65 & over Population as % of Total Population	14.3%	12.62%	13.8%	12.4%	13.7%
Median Household Income	34,474	61,400	44,163	not known	\$43,939
TennCare Enrollees	5,865	14,294	1,651	21,349	1,213,475
TennCare Enrollees as % of Total	24.7%	12%	19.5%	14%	18.8%
Persons Below Poverty Level	8,184	9,872	1,245	19,301	1,084,016
Persons Below Poverty Level as % of Total	23.9%	8.5%	14.9%	13%	16.9%

**15. Section C, Need Item 5**

Please complete the following chart.

Provider	2009		2010		2011	
	# OR's	Cases	# OR's	Cases	# OR's	Cases
<b>ASTC's</b>						
Lebanon Endoscopy Ctr.						
Wilson County Eye Surgery Ctr.						

Lebanon Surgical Center						
<b>Hospitals</b>						
Macon Co. Gen Hospital						
Input Cases						
Output Cases						
University Med. Ctr.						
Inpt Cases						
Outpt Cases						
Trousdale Medical Center						
Inpt Cases						
Outpt Cases						
Total ORs available for Outpt Surgery						
Total Cases						
Total Outpt Cases						

**RESPONSE:**

Provider	2009		2010		2011	
	# ORs	Procs	# OR's	Procs	# ORs	Procs
<b>ASTCs</b>						
Lebanon Endoscopy Ctr.	2 procs	2,827 procs	2 procs	3,302 procs	2 procs	2,767 procs
Wilson County Eye Surgery Ctr.	1 proc	3,396 procs	1 OR + 1 proc	5,429 procs	1 OR + 1 proc	1,873 procs
Lebanon Surgical Center	1 proc + 1 OR	501 procs	1 proc + 1 OR	199 procs	1 OR + 1 proc	97 procs
<b>Hospitals</b>						
Macon Co. Gen Hospital	IIP + IOP		IIP + IOP		IOP + IIP	
Inpt Procs		0		14 procs		35 procs
Outpt Procs		253 procs		352 procs		733 procs
University Med. Ctr.			4IP + 4OP		4IP + 4OP	
Inpt Procs		2,684		2,596 procs		2,435 procs
Outpt Procs		5,287		5,646 procs		5,570 procs
Trousdale Medical Center	IIP + IOP		IIP + IOP		0	
Inpt Procs		138 procs		19 procs		0
Outpt Procs		167 procs		22 procs		0
Total ORs available for Outpt Surgery OP & Proc	12		12		11	
Total Procs		15,253		17,579		13,510
Total Outpt Procs		12,431		14,768		11,040

**16. Section C. Economic Feasibility Item 1 (Project Cost Chart)**

The documentation from a health care experienced licensed architect, engineer, and/or health care facility contractor is noted. Please revise the provided documentation to reflect the proposed ASTC will conform to more recent 2010 AIA Guidelines for Design and Construction of Health Care Facilities.

The following definition regarding leased property cost in Tennessee Health Services and Development Agency Rule 0720-9-.01 (c) states "In calculating the value of a lease, the "cost" is the fair market value of the leased item or the total amount of the lease payment, whichever is greater." Please provide documentation of the fair market value of the premises leased and the calculation of the total amount of the lease payment over the five-year period.

Please provide a listing of the equipment which will cost over \$50,000 per item.

**RESPONSE:** The requested architectural documentation is attached. The Applicant expects to acquire a single C-arm for \$150,000 and two OR video towers with scopes for \$65,000 each.

The rule cited in this Request does not exist. Instead, Rule 0720-9.01(4)(c) states as follows:

(c) Lease, loan origin in calculating the value of a lease, loan, or gift, the "cost" is the fair market value of the above-described expenditures. In the case of a lease, the costs are the fair market value of the lease or the total amount of the lease payment whichever is greater. (Emphasis added.)

The "fair market value" of the lease at issue in this Certificate of Need must be the fair market value of the lease payments made thereunder.

To obtain the fair market value of lease payments made for five years in the future, those future payments must be discounted to present value. Thus, the actual payments made under the lease must exceed the net present value of those future payments today. The Certificate of Need application listed the total of lease payments made for the Projected Costs Chart.

**17. Section C. Economic Feasibility Item 2**

The applicant intends to fund the proposed project with a commercial loan. Please provide a letter from a lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, and anticipated term of the loan, and any restrictions or conditions.

**RESPONSE:** The requested potential loan documentation is attached.

**18. Section C, Economic Feasibility, Item 3**

Please compare this project's cost per square foot to cost per square foot ranges of previously approved ASTC projects found in the "Applicant's Toolbox" on the HSDA website ([www.tn.gov/hsda](http://www.tn.gov/hsda)) or provide specific examples supporting the reasonableness of proposed project costs.

**RESPONSE:** Previously approved new ASTCs have run a median cost per square foot at \$252 and a first quartile cost of \$200 per square foot. The last projects completed by the applicant ran between \$200 and \$212 per square foot. The projected costs of \$220 per square foot, given that the plot is level, are appropriate given the cost of other similar projects. The applicant in CON application CN1204-019 reported costs per square foot of \$290 (Southern Sports Surgery Center). Similarly, Maury Regional Ambulatory Surgery Center's CON application, CN1111-046, projected costs of \$224 per square foot.

**19. Section C, Economic Feasibility, Item 4**

Please indicate the utilization data (specific unit of measure) on the Projected Data Chart in procedures and cases.

**RESPONSE:** The projected data chart utilization was set forth in cases. A corrected Projected Data Chart is attached.

**20. Section C, Economic Feasibility, Item 5**

Please identify the project's average gross charge, average deduction from operating revenue and average net charge.

**RESPONSE:** The requested data are set forth below:

Average Gross Charge:	\$3,810
Average Contractual Adjustment per case:	\$2,686
Average Net Revenue per case:	\$1,124

**21. Section C, Economic Feasibility, Item 6 A. and 6.B**

The projected charges for the anticipated top five procedures in noted. Please provide the proposed charge schedules for the proposal.

**RESPONSE:** In 2009, Medicare set ambulatory surgery center reimbursement at 57% of hospital reimbursement for all cases.

The applicant states Medicare reimbursement for procedures performed at free-standing ASTC's are more than 40% lower than reimbursement for the same procedures in hospitals. Please provide specific examples relative to the proposed project that supports this statement.

**RESPONSE:** Gross charge, contractual and Medicare reimbursement for top five procedures are currently projected to be as follows:

CPT	Description	Applicant's Proposed Charge	Contractual	Medicare Allowable
29866	Knee Arthroscopy	\$5305	\$4244	\$1061
69436	Ear Tubes	3020	2416	604
42826	Tonsil Age >12	4455	3564	891
29806	Shoulder Arthroscopy	3890	3112	778
58671	Lap Tubal	8590	6872	1718

Please compare proposed charges to recently approved HSDA projects such as Southern Sports Surgery Center (CN1204-019A) and Maury Regional Ambulatory Surgery Center, LLC (CN1111-046A).

**RESPONSE:** Maury Regional ASC's CON application, CN1111-046A, projected (p.16) an average gross charge of \$4,500 with an average deduction of \$3,262, for an average net charge of \$1,237.

Southern Sports Surgery Center's CON application, CN1204-019, projected an average gross charge for surgery of \$5,600, with an average deduction of \$3,434, for an average net charge of \$1,766 for surgical cases.

**22. Section C. Economic Feasibility, Item 8**

Please describe the access to the mentioned revolving credit line and an equipment term loan the applicant mentions could be used on a worst case basis to continue to fund possible losses within the first two years of the proposed project.

**RESPONSE:** The applicant intends to have a \$250,000 revolving line of credit available to the company to fund any losses or unanticipated problems during the development, opening, and operation of the Surgery Center of Lebanon.

**23. Section C. Economic Feasibility, Item 9**

Please identify the three TennCare MCOs the applicant anticipates to contract with.

**RESPONSE:** The applicant anticipates contracting with the three TennCare MCOs who serve Middle Tennessee: Amerigroup, United Healthcare, and Blue Cross/TennCare Select

The anticipated TennCare and Medicare revenue percentages do not correspond to the Projected Data Chart Gross revenue projections. Please recalculate and resubmit a replacement page if necessary.

**RESPONSE:** The anticipated TennCare and Medicare revenue percentage as components of gross charges total as follows: Medicare charges equal to \$1,535,937 and projected TennCare charges equal approximately \$658,259. These figures are for the first year of the operations.

The application pages are correct as to percentages of utilization and year actual projections from Medicare and Medicaid.

**24. Section C. Economic Feasibility, Item 10**

Please provide financial information such as copies of balance sheets and income statements from the most recent reporting period for the corporation, partnership, or principal parties involved with the proposed project.

**RESPONSE:** Lebanon Healthcare Partners LLC has not begun operations yet and has no income. As of February 25, 2013, the balance sheet of LHP is as follows:

<u>Assets</u>		<u>Liabilities</u>
Cash	\$19,947	-0-
Certificate of Need	\$99,973	

The applicant indicated in the project Surgery Center of Lebanon CN0906-036, Specialty Surgery Centers of America, Inc. will have an ownership of 20% following CON approval. If so, please provide the above mentioned financial documents for that entity.

**RESPONSE:** Specialty Surgery Centers of America, Inc.'s organizational structure is attached. SSCA's balance sheet only shows the investment cost in each of the entities that it has investments in and does not show a market value of the entities. SSCA has no debt, had income for its owners in excess of \$250,000 last year, and has enough liquidity to fund the entire project itself.

**25. Section C. Orderly Development, Item 9 and 10**

The applicant has responded "not applicable" to questions 9 and 10. Please indicate the applicant has researched the elements of these two questions relative to any entities or person with more than 5% ownership interest in the applicant or professional licenses held by the applicant. Please respond and submit a replacement page.

**RESPONSE:** Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing. The requested replacement page is attached.

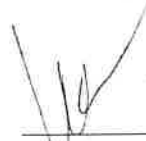


Mr. Phillip M. Earhart  
February 27, 2013

67

**SUPPLEMENTAL- # 1**  
**February 27, 2013**  
**4:19pm**

Sincerely,

A handwritten signature in black ink, appearing to be 'KB', is written over a horizontal line.

Keith Bolton

Contact Person for Certificate of Need  
Application CN1302-003  
Surgery Center of Lebanon

Attachments



**SUPPLEMENTAL- # 1**  
 1614 17<sup>th</sup> Ave. South  
 Nashville, TN 37212  
 Office 615-277-1178  
 Fax 615-277-1179  
 www.projxllc.com

**February 27, 2013**  
**4:19pm**

February 19, 2013

**RE: New Ambulatory Surgery Center in Lebanon, Tennessee**  
**For Lebanon Healthcare Partners, LLC**  
**ProjX Project No. 121004**

To Whom it May Concern:

I am an Architect, licensed in the State of Tennessee. My Architecture License number is 14946.

I designed the attached floor plan for the Ambulatory Surgery Center to be built in Lebanon, Tennessee. Total building size is 9,300 s.f. excluding canopies.

Final construction documents will conform to all codes as listed with the City of Lebanon and the State of Tennessee including:

- 2006 International Building Code
- 2006 International Plumbing Code
- 2006 International Mechanical Code
- 2002 National Electrical Code.
- 2006 International Fire Code
- 2006 International Fuel Gas Code
- 2006 International Existing Building Code
- 2002 North Carolina Handicap Code with 2004 Revisions
- Americans with Disabilities Act (ADA) with 2002 Amendments.
- 2006 Life Safety Code
- 2006 International Energy Conservation Code
- 2010 AIA Guidelines for Design and Construction of Health Care Facilities.
- 2003 ASHRAE Handbook of Fundamentals.

Our estimate of probable cost is \$220 per square foot.

With you in a Spirit of Service,

A handwritten signature in dark ink, appearing to read "Ira A. Chilton".

Ira A. Chilton, NCARB  
 TN Architecture License #14946



# FIRST FARMERS

Lebanon Healthcare Partners

Term Sheet

February 6, 2013

**Borrower:** Lebanon Healthcare Partners

**Guarantors:** All owners at 125% of their pro-rata % ownership

**Credit Facility:** (A) \$1,125,000 Equipment and Furniture Line and Term Financing  
(B) \$ 350,000 working capital Line

**Collateral:** (A) 1<sup>st</sup> Lien on all equipment and furniture  
(B) 1<sup>st</sup> Lien on Account Receivable and Inventory

**Terms:** (A) 6 months interest only converting to a 7 year Amortization of principle and interest monthly  
(B) 75% advance against approved accounts receivables And 50% advance against inventory. Line to be approved Annually

**Rate:** (A) 4.5% fixed  
(B) Prime + 1%

**Commitment Fee:** 1% on each facility

**Prepayment Penalty:** 1% if refinanced by another financial institution

**Covenants:** Annual financial information as requested by Bank from Borrower and guarantors. Monthly A/R aging, inventory Listing, and borrowing base certificates. DSC of 1.1X for Year one and 1.25X thereafter. All collateral is cross-Pledged and cross-defaulted

**Closing Cost:** Paid by Borrower

This is not a commitment to lend money. All terms and conditions are subject to change and credit approval. This term sheet is for discussion purposes only.

2-26-13

*C. H. Foran*  
Williamson County President  
for Richard S. (Dick) Sevier

February 27, 2013

4:19pm

AFFIDAVIT

2013 FEB 27 PM 3 20

STATE OF TENNESSEE

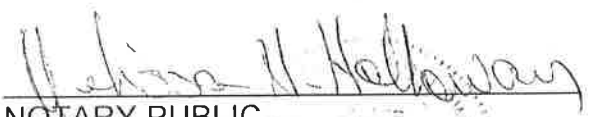
COUNTY OF DAVIDSON

NAME OF FACILITY: Surgery Center of Lebanon

I, KEITH BOLTON, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

  
\_\_\_\_\_  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 27th day of February, 2013, witness my hand at office in the County of Davidson, State of Tennessee.

  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires:

5/5/15

# **Copy**

**Additional Information for  
Supplemental #1**

**Surgery Center of Lebanon**

**CN1302-003**

February 28, 2013  
4:27pm

2013 FEB 28 PM 4 27

February 28, 2013

Mr. Phillip M. Earhart  
Health Planner III  
Tennessee Health Services and Development Agency  
161 Rosa L. Parks Boulevard  
Nashville, TN 37219

Via Hand Delivery

Re: Additional Supplemental Information Requests regarding Certificate of Need  
Application CN1302-003 - Surgery Center of Lebanon

Dear Mr. Earhart:

Today, you raised with us two additional issues for which you seek additional information regarding your request for supplemental information in No. 20 and request for supplemental information No. 23.

With regard to No. 20, we have recalculated the average gross charge, average deduction and average net revenue per case, based on your comments. The correct figures are as set forth below:

Average Gross Charge:	\$1,825
Average Contractual Adjustment per case:	\$ 617
Average Net Revenue per case:	\$1,208

With regard to the question you raised as to request for supplemental information No. 23, we clarify our original response as follows. The references we made in the application in response to item 9, Section C, Economic Feasibility, was that our anticipated utilization of Medicare would be 35% of all patient visits, but 19% of actual total revenue in the first year can be explained. The reference to 35% is that the Surgery Center of Lebanon anticipates that 35% of its patients will be Medicare patients. However, the reference to "19% of total actual revenue in the first year" refers to the applicant's expectation that 19% of its "net operating revenue" as set forth on the Projected Data Chart will be approximately \$552,105. It is this amount of actual net operating revenue that the applicant projects will be attributable to Medicare. In our responses to your request for supplemental information on this issue, we were responding to a question regarding what amount of Lebanon Surgery Center's gross revenue would be anticipated to be Medicare revenue. That figure in our supplemental response is given as \$1,535,927, but the correct figure is \$1,535,937. The same is true in our supplemental response regarding TennCare projected amount of gross charges. Those are accurately set forth in our supplemental response as \$658,259. As noted, these figures are the anticipated figures for actual net operating revenues from these payors in the first year of operations.

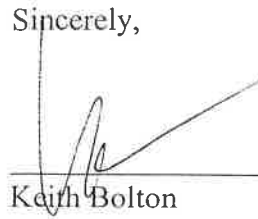
Mr. Phillip M. Earhart  
February 28, 2013

73

**SUPPLEMENTAL- # 1**  
**February 28, 2013**  
**4:27pm**

If you have any additional questions, please advise. I have attached an affidavit with this letter.

Sincerely,



---

Keith Bolton

Contact Person for Certificate of Need  
Application CN1302-003  
Surgery Center of Lebanon

Attachment

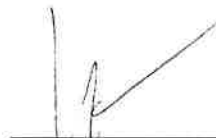
AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Surgery Center of Lebanon

I, KEITH BOLTON, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

  
\_\_\_\_\_  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28th day of February, 2013, witness my hand at office in the County of Davidson, State of Tennessee.

  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires:

5/5/15



# BASS

BERRY • SIMS<sup>®</sup>

150 Third Avenue South, Suite 2800  
Nashville, TN 37201  
(615) 742-6200

2013 MAY -5 PM 3:38

**J. Richard Lodge**

PHONE: (615) 742-6254  
FAX: (615) 742-2754  
E-MAIL: [dlodge@bassberry.com](mailto:dlodge@bassberry.com)

May 6, 2013

**BY HAND DELIVERY**

Ms. Melanie Hill, Executive Director  
Health Services & Development Agency  
161 Rosa L. Parks Boulevard  
Nashville, TN 37243

**Re: Lebanon Healthcare Partners d/b/a Surgery Center of Lebanon  
CON Application No. CN1302-003**

Dear Ms. Hill:

On behalf of our client Lebanon HMA, LLC d/b/a University Medical Center ("UMC"), I write to advise you of its opposition to the Certificate of Need application filed by Lebanon Healthcare Partners, LLC, No. CN1302-003 ("LHCP"), to relocate an unimplemented certificate of need for a multispecialty surgery center from 101 Physicians Way ("Original Site") to 1629 W. Main Street ("Proposed Site"). See Map on Exhibit A. The application is scheduled to be heard at the Agency's May 22<sup>nd</sup> meeting. For the reasons set forth below, we respectfully request that LHCP's application be denied.

UMC is a Joint Commission approved, 245-bed, two-campus hospital located in Lebanon, Tennessee. As part of UMC's commitment to providing comprehensive care to the patients of Wilson County and the surrounding service area, UMC offers a full-range of services, including outpatient surgical services. Currently, UMC has eight operating rooms located on its main campus at 1411 W. Baddour Parkway in Lebanon. Additionally, UMC offers outpatient surgical services at its freestanding multispecialty surgery center – the University Surgical Center. In total, UMC has nine operating rooms, all of which support outpatient surgical cases. Because this proposed project fails to establish need, economic feasibility and the contribution to the orderly development of healthcare, this Application should fail. If granted, this project would have an immediate negative impact on existing healthcare providers such as UMC.

As a threshold issue, however, UMC is a syndicated hospital. Prior to purchasing an ownership interest in UMC, each physician-owner agreed to the terms of the UMC Operating Agreement. Section 11.07 of the UMC Operating Agreement prohibits each physician owner from engaging, "directly or indirectly, in any activity that competes with the Business" [UMC] within a 25-mile radius for one year after the ownership interest ceases. Thus, to the extent that any of LHCP's physician members, officers, directors, etc. also owns units in UMC, they are bound by a legally enforceable covenant not-to-compete that, by its terms, is an absolute legal impediment to their ability to develop, own or operate a multispecialty surgery center at the

location designated in the application. Although the applicant did not list the current membership interest of LHCP in its most recent application, as of 2009, the following were listed as members of LHCP: Roy Terry, MD; Stephen Neely, MD; John Tate, MD; Damon Petty, MD and Dwayne Lett, MD. Of these physicians, Drs. Tate, Lett and Petty all have ownership interests in UMC.

Aside from the covenant-not-to-compete, UMC opposes this Application because it will duplicate existing services and adversely impact the existing health care delivery system in the service area. As can be seen from the map attached as *Exhibit A*, the Proposed Site of the LHCP surgery center is less than one-mile from UMC and UMC's freestanding multispecialty surgery center – the University Surgical Center. The proposed relocation fundamentally changes the nature LHCP's unimplemented project. For example, throughout its 2009 Certificate of Need Application (CN0906-036), LHCP relied upon and reiterated the importance of the location of the Original Site:

***With the shift of the business district for Lebanon, the physicians identified a site that will provide convenient access to all patients in the service area, in a medical office building (MOB) to be built on Physicians Way, near I-40 and South Hartman Drive. The orthopaedic surgeons will also be relocating their practice to this MOB, allowing patients even better access to necessary outpatient surgical services. The physicians have talked to the hospital about participating in this venture and will continue to do so. The project before you has been identified as the best option for the physicians and their patients. The proposed location of this project is the most convenient for both the physicians and their patients.***

(emphasis added) *See p. 25 of CN0906-036; See also p. 4 of CN0906-036.*

Rather than relocating to an MOB that will be shared with orthopaedic surgeons, the applicant seeks to relocate over four miles north of the Original Site to a location that is less than one-mile from UMC and its surgery center. This proposed new location would position LHCP to be a direct, immediate competitor of UMC for UMC's current patients. Further, the University Surgical Center does not currently operate at the 80% capacity threshold set out in the *Guidelines for Growth*. Specifically, in calendar year 2011, the University Surgical Center utilized less than 10% of its surgery capacity.

In addition, in its application, LHCP estimates 2,405 cases in Year 1 with 14 estimated staff physicians. These physicians will undoubtedly include a number of physicians currently utilizing UMC for outpatient surgical services. In fact, LHCP proposes to offer the same specialties that are currently available at UMC. The administrators at UMC continue to work closely with the physicians and patients to accommodate scheduling needs. UMC is especially well equipped to do this since the opening of its state-of-the-art outpatient surgical department in 2011. Stated differently, UMC has ample existing capacity to serve the local patient population. A new ambulatory surgery center, therefore, is not needed in this area and threatens to have a negative impact on UMC, the only hospital in its five-county service area.

Ms. Melanie Hill, Executive Director  
May 6, 2013  
Page 3

Over and above the lack of need, the proposed relocation will not contribute to the orderly development of healthcare services. As noted, LHCP is moving *away* from the area it described as "the most convenient for both the physicians and their patients" and moving closer to a facility with existing capacity. This makes no practical sense except to move the surgery center closer to UMC, a move that will result in a duplication of services. Given the significant investment that UMC has already made in order to provide Wilson County and the other four counties of its service area with these services, UMC should not be asked to assume more risk and additional financial burden.

Finally, LHCP has failed to establish that this project is economically feasible. Approval to establish a multispecialty surgery center was first granted to the Applicant in April 2010. Although the Applicant has had over three years to secure financing and establish its new ASC, it has failed to do so. To explain this lack of action, LHCP points to the developer. The reality is that LHCP is again asking for permission to relocate and establish a largely unfunded, physician-driven project. Although LHCP states that it currently has \$119,920 in assets, of that only \$19,947 is cash. The remaining \$99,973 is the assigned value of the Certificate of Need. Because of the non-transferability of a Certificate of Need, however, the real value is \$0. Thus, LHCP asks for approval of this CON to move a three-year old project that will cost in excess of \$2.2 million that has not been able to secure financing for three years on the basis of less than a \$20,000 bank account.

For all of these reasons, UMC respectfully requests that LHCP's CON Application No. CN1302-003 be denied. Thank you for your attention in this matter. We look forward to discussing this matter further on May 22. Please do not hesitate to contact me with any questions.

Sincerely,



Richard Lodge

JRL:lmg



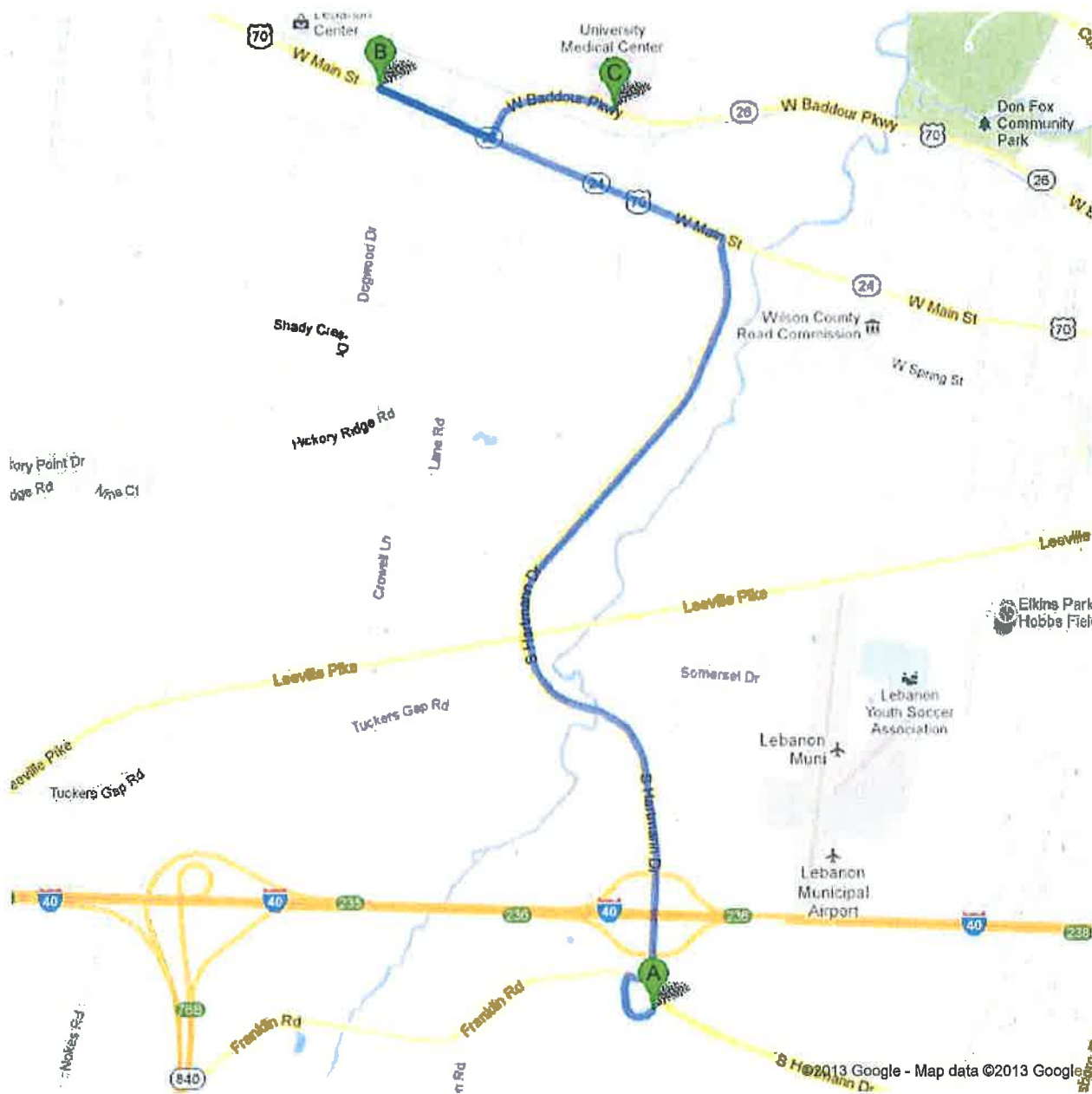
**Directions to 1411 W Baddour Pkwy, Lebanon, TN 37087**

**5.0 mi – about 15 mins**

A = Original Site

B = Proposed Site

C = University Medical Center



**Exhibit A**



2013 FEB -8 AM 11: 58

## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the The Lebanon Democrat which is a newspaper  
of general circulation in Wilson County, Tennessee, on or before February 9, 2013  
(County) (Month / day) (Year)  
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

Surgery Center of Lebanon

N/A

(Name of Applicant)

(Facility Type-Existing)

owned by: Lebanon Healthcare Partners, LLC with an ownership type of limited liability company

and to be managed by: Specialty Surgery Centers of America, Inc. intends to file an application for a Certificate of Need  
for [PROJECT DESCRIPTION BEGINS HERE]:

The relocation of an approved but unimplemented certificate of need for a multi-specialty surgery center. The proposed facility previously approved under CON CN0906-036 will be relocated from its original approved site at 101 Physicians Way, Lebanon (Wilson County), TN 37087 to a new unaddressed site located on the east side of Blair Lane in Lebanon, Wilson County, Tennessee, 37087. The new, unaddressed site is approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, and approximately 200 yards south of the intersection of Blair Lane and Monument Lane in Lebanon. As with the originally approved CON application, this ASTC will include three operating rooms and one procedure room, as well as requisite clinical and support space, including 12 pre-operation and post-operation bed spaces. The projected square footage for this project is approximately 9,300 square feet. The estimated project costs are approximately \$2,300,000.

The anticipated date of filing the application is: February 14, 2013

The contact person for this project is Keith Bolton

CEO

(Contact Name)

(Title)

who may be reached at: Specialty Surgery Centers of America, Inc.

9206 Concord Road

(Company Name)

(Address)

Brentwood

TN

37027

931-801-2558

(City)

(State)

(Zip Code)

(Area Code / Phone Number)

[Signature]

2/8/2013

(Date)

sscakeith@bellsouth.net

(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency  
The Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**CERTIFICATE OF NEED  
REVIEWED BY THE DEPARTMENT OF HEALTH  
DIVISION OF POLICY, PLANNING AND ASSESSMENT  
OFFICE OF HEALTH STATISTICS  
615-741-1954**

**DATE:** March 29, 2013

**APPLICANT:** Surgery Center of Lebanon  
Unaddressed Site, East Side of Blair Lane & Hwy 70  
Lebanon, Tennessee

**CON:** CN#1302-002

**COST:** \$2,300,000

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In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Health Statistics, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's Health: Guidelines for Growth, 2000 Edition (2010 Revised)* and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

**SUMMARY:**

The applicant, Surgery Center of Lebanon, owned by Lebanon Healthcare Partners, LLC and managed by Specialty Surgery Centers of America, Inc. seeks Certificate of Need (CON) approval for the relocation of a previously approved but unimplemented CON for a multi-specialty ambulatory surgical treatment center. The previously approved Certificate of Need CN0906036A will be relocated from its original approved site at 101 Physicians Way in Lebanon, Tennessee to a new unaddressed site located on the east side of Blair Lane in Lebanon, Tennessee.

**GENERAL CRITERIA FOR CERTIFICATE OF NEED**

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition (2010 Revised)*.

**NEED:**

The following chart illustrates the applicant's service area total population projections for 2013 and 2017.

**Service Area Total Population Projections for 2013 and 2017**

County	2013 Population	2017 Population	% Increase/ (Decrease)
Marshall	31,287	32,613	4.2%
Maury	85,130	89,015	4.6%
Williamson	188,259	203,870	8.3%
<b>Total</b>	<b>304,676</b>	<b>325,498</b>	<b>6.8%</b>

Source: *Tennessee Population Projections 2000-2020, February 2008 Revision*, Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics

The applicant's service area and the need for the project remains the same as in the previously approved Certificate of Need application CN0906-036A.

*Note to Agency Members: The applicant provided a table listing all ASTCs in the service area and their utilization based upon the 2011 Joint Annual Reports. The Health Services and Development Agency and the Division of Policy, Planning and Assessment, Office of Health Statistics determined the 2011 JARs did not initially include the JAR submitted by Providence Surgery Center (formerly Tennessee Sports Medicine Surgery Center). The Public Access JAR database has been updated and now includes the JARs for this provider.*

**TENNCARE/MEDICARE ACCESS:**

The proposed ambulatory surgical treatment center will seek Medicare and TennCare certification. The three (3) TennCare Managed Care Organizations (MCOs) within the designated service area are AmeriGroup, United Healthcare and TennCare Select. It is noted that all physicians associated with this project are currently under contract to each of these plans. The management company for this project, Specialty Surgery Centers of America, Inc., currently contracts with all of these MCOs and plans, as the applicant states on page 4 Section A, Item 13 of the CON Application, to "piggyback" this surgery center onto its other MCO contracts.

**ECONOMIC FACTORS/FINANCIAL FEASIBILITY:**

The Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics has reviewed the Project Costs Chart, the Historical Data Chart (when applicable) and the Projected Data Chart and has determined they are mathematically accurate and the projections based upon the applicant's anticipated level of utilization are mathematically accurate. The location of these charts may be found in the following specific locations in the Certificate of Need Application or in the Supplemental material:

**Project Costs Chart:** Section C, Item 6, Page 17 of the CON Application

**Historical Data Chart:** No Historical Data Chart is required for a new start-up

**Projected Data Chart:** Section C, Item 8, Page 21 of the CON Application and found also in Section C, Item 8, Page 21 in Supplemental 1. They are identical.

The applicant projects and average gross charge of \$1,825, with an average deduction of \$617, resulting in an average net charge of \$1,208.

The Surgery Center of Lebanon expects 19% or \$552,105 of its net revenue will be from Medicare and 10.1% of its net revenue or \$293,500 will be from TennCare.

**CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:**

The applicant notes all of the physicians that are involved in this project are currently on staff at University Medical Center in Lebanon. A transfer agreement, arrangements for laboratory services and use of hospital equipment would be negotiated with University Medical Center. A list of the anticipated contracts with managed care organizations can be found in the CON Application, Section C, Contribution to the Orderly Development of Healthcare, Item 1.

The need for this project originally approved by the Health Services and Development Agency as CN0906-036A is due to the following factors:

- There is a need for 3 to 5 operating rooms within the designated service area;
- The population of the service area according to the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics will increase from 304,676 in 2013 to 325,498 in 2017 or 6.8%;
- The new ambulatory surgical treatment center, per the applicant, will provide an alternative to higher cost inpatient based surgical services. As noted in the response to Item 2 on Page 24 of the CON Application, the new ASTC will charge less than an inpatient ASTC and also will be reimbursed at a lower rate reducing the costs for government payers, insurance payers and patients;
- The new ASTC will improve patient accessibility and the design of the facility will provide greater capacity for surgical services and potentially allow for enhanced patient scheduling; and
- The site replaces the previously approved site in CN0906-036A.

The staffing pattern is described in Section C. III, Page 25, Item 3 of the CON Application. The total number of FTEs will be 18 initially and the applicant does not anticipate having any difficulty in filling these positions.

Surgery Center of Lebanon, if this CON is approved, will apply for licensure from the Tennessee Department of Health, certification from Medicare and TennCare and accreditation with the Accreditation Association for Ambulatory Healthcare (AAAHC).

#### ***SPECIFIC CRITERIA FOR CERTIFICATE OF NEED***

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition (2010 Revision)*.

The Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics will provide responses to Specific Criteria for Certificate of Need that address utilization, need, bed data and other information maintained by the Department of Health. The narrative responses of the applicant will not be repeated but can be found in the Certificate of Need Application and such Supplemental material as provided by the applicant to the Health Services and Development Agency.

#### **Applications for Change of Site**

When considering a certificate of need application, which is limited to a request for a change of site for a proposed new health care institution, the Commission may consider, in addition to the foregoing factors, the following factors:

- (a) *Need. The applicant pursued a new site for the previously approved project CN0906-036A due to the inability of a third party developer to construct the planned medical office building (MOB). The current CON Application identifies a new site that would serve the service area needs in a manner consistent with that of the original site;*
- (b) *Economic factors. The proposed new site will be certified for Medicare and TennCare and will contract with a multitude of managed care organizations to ensure a balanced revenue stream for the project; and*
- (c) *Contribution to the orderly development of health care facilities and/or services. The applicant addresses the need for this CON Application in Item (a) above. Based on a review of the Project Completion Forecast found on Page 28 of the CON Application the timetable appears reasonable and service would be initiated in October, 2014.*